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EDITORIAL

As We See It

Pensions and More Pensions—Certain Neglected End Results

Additional and bigger "pension plans" as concessions to organized labor are being announced almost daily. Here apparently is one of those "movements" which knows no halting, at least so long as times are good and the unions are in the saddle. On previous occasions we have been at pains to set forth our own beliefs, and indeed what appeared to us and what still appear to us to be plain facts about this matter. There are, however, certain consequences and certain problems which deserve further analysis at this time.

As a basis for such an analysis, it is well, perhaps, to bring clearly into focus the more important procedures and techniques employed in these programs. One of the common practices is for the employer who "grants such pensions" to buy coverage from an insurance company or companies which assume the liability arising in the years to come under the contract with the union. Another plan rather closely related to this one is to set up a trust fund into which the employer pays moneys which presumably, along with earnings therefrom, will meet future obligations arising under contracts entered into by the employer.

Alternative Methods

Or, of course, an employer may estimate for himself the "present value" of the liability assumed, charge it against current operations, and carry his own "insurance" or liability. The "reserves" accumulated under such an arrangement may be employed in any of several ways, de-

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ERP versus Recovery

By HENRY HAZLITT*
Contributing Editor "Newsweek"
Author "Will Dollars Save The World?"

Economist calls it "an economic and political scandal" that we are still subsidizing totalitarian devices like exchange control, import prohibitions, licenses, quotas, raw material allocation, and other techniques introduced by Russia and Hitler, which kill incentives and strangle recovery and production. Advises (a) immediate curtailment of ERP program to end it in equal proportional cuts by 1952; (b) terminating ECA bureaucracy and turning aid program over to Export-Import Bank; and/or (c) forgiving our loan to British Government in lieu of further ERP advances.

In 1948 there was a severe food shortage in Europe for which I, among others, recommended that special provision be made. This abnormal food shortage has now ceased to exist. At that time, also, a serious situation was brought about by the pegging of European exchange rates at highly fictitious valuations. These fictitious valuations, I pointed out, increased Europe's trade deficit and so-called "dollar shortage" by stimulating European imports and discouraging or preventing European exports. The fictitious valuations have now been in great part corrected.


Henry Hazlitt

No Basic Change

But basically the situation has not greatly changed. In January, 1948, I stated that the decisive factor in European recovery in the following four years would not be the amount of American governmental aid, but the economic and political policies adopted by the governments of Europe themselves. This has been true in the last two years, and it will be true in the next two.

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*Statement by Mr. Hazlitt before the House Committee on Foreign Affairs, March 15, 1950.

Survey of Puerto Rico's Financial Position

By ESTEBAN BIRD
Vice-President, Government Development Bank for Puerto Rico

Puerto Rican Government Bank executive, hailing return of the Island's Government in the New York capital market with an $18 million bond issue, to be offered on March 28, recounts financial progress that has been made in recent years largely with the help of capital from continental U. S. Cites present sound financial position of Insular Government, despite large appropriations for public works, education and health services. Holds present insular debt extremely low.

For the first time in nearly 15 years, the people of Puerto Rico are back in the New York market with a bond issue of $18,000,000 to be sold on March 28. Many things have happened in Puerto Rico in that period.


Esteban Bird

Since then, the Island of Puerto Rico has become a million dollar a day market for American goods, a $340,000,000 annual purchaser of merchandise shipped from the mainland. The extent and trade of Puerto Rico has risen in those 15 years from around $200,000,000 a year to $550,000,000 a year. Puerto Rico has become the largest per capita consumer of American goods. Bank assets have been multiplied ten fold; bank debits, an index of the turnover of bank deposits, have been increased four times; bank loans have been increased five times; cement production has been multiplied six times; the value of building permits has been increased seven times; electric power production has been doubled as has motor vehicle registration. The assessed value of property has been increased almost five times and public indebtedness has been reduced by over 50%. The insular debt has been lowered by over 60% and the municipal indebtedness by some 40%. Significant changes, therefore, must have taken place in

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IN ADDITION to Mr. Bird's article on the cover page, we present in this issue, starting on page 12, other special articles and reports pertaining to Puerto Rico's economy.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

GEORGE C. HANNAHS

Partner, Hannahs, Ballin & Lee New York City

(Municipal Bonds)

The Municipal Bond which I like best is the one which produces the most return on a full faith and credit obligation of an established Community. I realize this statement covers a multitude of questions that are prevalent in these modern days and which I think are sometimes over-emphasized. After all the history of the United States Municipality in the past fifty years for the eventual payment of principal and interest on its bonds is so exceptionally good that the market has increased tremendously. Some attribute this almost entirely to tax exemption but security is still a most vital factor.

G. Hannahs

If the unconditional promise to pay of our Public Government units which are to continue to function is not good, our whole system of Democracy is seriously involved.

Due to the fact that many different types of buyers have become interested in State, City, County, School District and other Municipal obligations, many questions have naturally arisen which are reflected in a wide differential in price. It is obvious as Commercial Banks purchase these bonds, marketability as well as security enters into the picture. Maturity also becomes an important factor in so many cases as a protection against future market depreciation and we see new issues of bonds offered to yield from ¾ of 1% in one year to 2¼% or 2½% in forty years. As an old municipal bond man, I feel some of these differences in price are over-done and I could never pay 1% more to buy a bond due in 1985 than for one due in 1986 of the same issue. There are certain sound and practical reasons for many of the prices paid on various maturities, ratings or currently popular municipal issues, but it is quite obvious that some of the differences are absurdly exaggerated. I can remember when Detroit was considered about the highest grade City obligation in the country and sold at much lower interest rates than Richmond, Virginia, or San Francisco, Calif. "Fads and Fancies" which govern prices in women's hats should have little influence in municipal finance.

After all, the promise to pay of an established Community with unlimited powers to levy ad valorem taxes on all taxable property within its confines is the real security.

Water, sewers, schools, street paving, fire and police protection and many other ordinary services are required by our Municipalities by the public almost everywhere, and without municipal credit it is quite difficult to see how they can be adequately provided. In England the credit standing of the various Cities and Municipalities has tended for many years to become more and more equal and the rates of interest quite similar.

The average United States Municipality has learned from experience through two wars, stock market excesses and depressions that its credit is absolutely essential to its continued operations in the necessities of American life.

G. FREDERIC HELBIG

Partner, Baron G. Helbig & Co., New York City

(Mt. Vernon-Woodberry Mills)

When writing on such a subject as the title of this series, one must immediately qualify his thoughts with considerations as to whether the security to be featured shall be in any one of several dozen categories, i.e., its degree of safety, its degree of return, its growth possibilities, etc. etc. I cannot help but conclude that others, like myself, eventually decide upon a security whose favorable characteristics, be what they may, have been, in our respective opinions, less adequately appraised in the open market than most other securities.

G. Frederic Helbig

Similarly, I suspect that the readers of this column are interested from much the same point of view, so I shall assume we are on mutually sympathetic ground as to our objective.

With all this in mind, therefore, I offer Mt. Vernon-Woodberry Mills common as my contribution. This stock was listed on the N. Y. Curb about 1½ years ago, since which time it has had very limited trading activity and is currently quoted around 25.

Mt. Vernon-Woodberry is a textile, and as such suffers from the general feeling of antipathy with which that industry is looked upon by investors. But let me hasten to note that this is an "industrial" textile and as such is not to be confused with the great bulk of its industry. The company is one of the largest manufacturers of cotton duck and similar products in the world. These are sold under some of the oldest trademarks in the country through Turner Halsey Co., its selling agent.

While some of its Mills date back to 1844, the present company was separated in 1915 from the old and ill-fated "Duck Trust" known as the International Cotton Mills. The new management immediately tackled the job of weeding out a large number of obsolete mills, replacing the wornout and outmoded equipment in the remaining mills, retiring heavy 7% debt and 7% preferred stock, and writing off almost $3 million of "good-will."

Today, there are three groups of mills located in Tallassee, Ala., Columbia, S. C., and Baltimore, Md., with approximately 130,000 spindles and over 2,000 looms, employing around 4,500 operatives.

Common dividends were inaugurated for the first time in 1946 when the equivalent of $1 was paid on the present shares in December of that year. This was followed in 1947 by $2 out of earnings of $11.72, $4 in 1948 out of $17.05 earned, and $3 last year out $3.87 earned in a very bad textile year.

Comparisons are always one method of evaluation, and in this respect the tremendously successful West Point Mfg. Co. is appropriate to use, as it is Mt. Vernon's chief competitor and has likewise built its record primarily upon the manufacture of industrial duck.

West Point was never burdened by problems of run-down mills and financial millstones such as Mt. Vernon inherited from the old "Duck Trust," and as a result West Point boasts a record of over 60 years of continuous dividend payments.

West Point, like Mt. Vernon, paid $3 per share last year. It is currently selling around 37. Its book value, including reserves, was $29.17 at Aug. 31, 1949, its latest fiscal year-end, which compares with a book value of $49.27 for Mt. Vernon.

Mt. Vernon's working capital at Dec. 31, 1949 was $8,953,030, equivalent to $17.35 per common

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This Week's Forum Participants and Their Selections

Municipal Bonds—George Hannahs, Partner, Hannahs, Ballin & Lee, New York City.

Mt. Vernon-Woodberry Mills—G. Frederick Helbig, Partner, Baron G. Helbig & Co., New York City.

Standard Oil Co. of California—Sidney L. Schwartz, Partner, Sutro & Co., San Francisco, Calif.

Polaroid Corporation—Allan Lopato, Allen & Co., New York City.

Keystone Funds—William A. Stinson, Security Analyst, Philadelphia, Pa.

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Bank and Quotation Record — Monthly, $25.00 per year. (Foreign postage extra.)

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The Smother Technique

"Free-riding" in underwriting and primary sale of securities a misnomer. System result of custom, trade practice and usage. Administrative bodies' attempts at new definitions of fraud. Usurpation of non-delegable legislative functions. En camera activities of SEC. Control of NASD which is hamstrung by Maloney Act. Need for surbing SEC powers.

"Free-riding," an inept appellation, but a well recognized handle, is currently occupying the attention of the securities field.

The Securities and Exchange Commission in its release No. 2955 issued on Nov. 16, 1943, expressed the opinion of the Director of its Trading and Exchange Division, James A. Treanor, on this subject affecting the debentures of "X Corporation." We quote certain portions of that opinion which are self-explanatory.

"When an underwriter or selling-group member is still engaged in offering the security, he is inducing the purchase of that security by others. Transactions by the underwriter at that time which create excessive trading activity in the security or which raise the price thereof, are illegal, regardless of whether they are characterized as 'trading' or 'stabilizing' transactions.

"In this connection, I would like to point out that purchases above the offering price, while the distribution is going on, would be unlawful, in my opinion, even though independent quotations and transactions at a higher price may be found. Such transactions are obviously not necessary to facilitate the distribution and would be considered as creating excessive trading."

The general effect of Mr. Treanor's position was that the distribution of the particular debentures through the underwriters' trading department at prices in excess of those being accepted by the retail department of an underwriter (the fixed public offering price) was per se improper because both these determinations were agencies of the same firm.

This was aimed at "free-riding" as a target. However, apparently not content with this determination and believing that a rule of some kind was necessary to accomplish this purpose, the SEC on April 16, 1946 issued its release No. 3807 in connection with the Securities Exchange Act of 1934.

In that release it said in part:

"The study to date discloses the following:

"(1) On the initial public offering date certain underwriters and selling group members have placed a substantial number of shares in the accounts of their partners, officers and key employees. In many cases such shares were almost immediately resold by the partners, officers and employees at prices higher than the specified public offering price, frequently before any payments were made therefor. (2) In other cases members of the selling group on the initial date of the offering placed a substantial portion of their allotted shares in their firm's trading account. Such shares, instead of being offered at the public offering price, were sold at higher prices in the Street, i.e., to other brokers and dealers on a professional trading basis. (3) Certain dealers who were not members of either group, having acquired shares at the public offering price less a dealer's concession, without making any attempt to distribute the shares to their customers at the specified price, withheld them for their own accounts. These shares were within a very short time sold in the Street at higher prices. (4) Some firms were found who placed their allotted shares in the firm trading account for resale in the Street at the same time they were accepting purchase orders from customers. They executed the customers' orders by purchasing from dealers at prices higher than the specified public offering price instead of supplying the stock from their unsold allotment."

"The effect of such actions is to mislead the public

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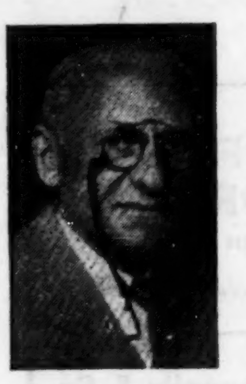
So. Pac. 3's of 1960—Convertible Investment Opportunity

By THEODORE PRINCE, LL.M.*

Mr. Prince, in discussing the new issue of convertible bonds of Southern Pacific Co., cites advantages accruing to investors because of convertibility of bonds into stock. Says it offers investor opportunity of "having his cake and eating it too."

In the proposed issuance of $37,725,600 Southern Pacific debentures, due 1960, bearing a 3% coupon and convertible into the common stock at $55, the investor has an opportunity (if the writer might indulge in a financial aphorism) of "having his cake and eating it too." This is because:



Theodore Prince

(1) The debenture or bond assures him of the repayment of his investment within 10 years.

(2) It offers him an opportunity with a minimum of risk to obtain, in substance, over 10 years the **same amount invested** with interest at 3% per annum, or obtain in exchange therefor (during said period) an equity participating in a growing and prosperous railroad at the cost of a small premium (less than 10% of the price of the common stock).

Therefore, this 3% convertible bond should be compared with the debenture 4½s of '81, selling at 92½ (without any convertible privilege) on 4.97 basis and the 2¾s of '81 selling at 2.62 basis, which is almost the yield of U. S. long-term Government bonds. A company that can command this credit even on a first mortgage has a standing that entitles price maintenance even for their debentures.

Moody's Stock Survey of the 13th of March, 1950, states that these debentures in view of their medium term maturity should hold around 94, based on present market levels, even if Southern Pacific common stock declines materially in price.

Furthermore, it is the earliest maturity except for regular serial equipments and a small $622,000 mortgage issue of 1951. Also, the maturity of bonds fall due before the Southern Pacific 1st mortgage bonds, the $21,405,000 of 2¼s of 1961 which in a sense protects this debenture issue.

These convertible debentures have a 2½% annual sinking fund subject to be reduced by an amount of debentures retired through conversion. They are redeemable (except for operations of the sinking fund) from 1950 at 102 and ¼ less each succeeding year.

The purpose of the issue will be used to reimburse the treasury for amounts heretofore expended therefrom in connection with the retirement of outstanding funded debt. Also, the 1950 expenditures for road and equipment are estimated at about $107 million for which $30,245,000 of funds from previous equipment financing are available. It is expected that proceeds of the debentures will be applied toward this 1950 program and other corporate purposes.

The convertible privilege is a valuable privilege. In this appraisal the question of cost of the privilege or call is important. In that connection, emphasis must be laid on buying the debenture around par for that is the amount of money the company is bound to repay.

These bonds have been underwritten at par by the bankers, subject to the stockholders subscribing for them at the rate of $10 a bond for 1 share of stock through March 31, 1950. Some of these bonds have meanwhile been released by the bankers and are now selling around 102. If the largest part of the issue of $37,725,600 is subscribed for by the stockholders, the bankers may sell the balance at a raised premium. In any event, this price of $102 requires only a premium of $2½ at a price of 52½ per share of common stock of Southern Pacific at $55 and $2 additionally for the other 45/55 of a share that will mean a $4½ premium at present prices per share. This is very reasonable for a call held over a 10-year period invested in this bond.

For example, Atlas Co. Warrants now selling at 5½ have a perpetual call of the stock which is selling at 24½. The holder of this call has the privilege of buying The Atlas Co. at $25 a share that would mean 30½ or a six point premium above the present price. This is $6 against $4½ on the Southern Pacific selling at twice the price of Atlas Corp. which former should thus require a higher premium than $4½ above stated. For the difference between 10 years and a perpetual right does not bear weight in the face of such discrepancies and present operations for a limited period of years. To obtain parity, Atlas stock must rise 25% or 2½ times the rise required in a stock of Southern Pacific which only needs a rise of 10%. This conversion privilege is attractive and could compare favorably with other convertible stocks and bonds of which a few are selected as set forth below.

	1949-50 Low Bonds	1949-50 Low Stocks	1950 High Bonds	1950 High Stocks	1950 Appreciation Bonds	1950 Appreciation Stocks
Consolidated Edison 3s. 1960, convertible at $25 per share	102⅜	21½	125⅞	32½	23½	11
Westinghouse Electric 2.65, 1973. Each bond convert. into 30 shs. of stock	100	20⅝	110¾	34⅛	10¾	13½
American Tel. & Tel. 3⅛s, 1961. Conv. at par plus $30 per $100 of bond	106⅜	138	120½	150⅜	16	12⅜
Dow Chemical 2nd preferred. Conv. at $45.18 per share through 1957	101	43	136½	64	35½	21
American Cyanamid $3.50 preferred. Convertible at $42.50 through 1957	99	35¼	134½	57⅞	35½	22⅝

Note must be taken where conversion is by multiples into the senior security, the common appreciates more rapidly.

Let us analyze the conversion of the Southern Pacific debentures into stock. The holder at rate of conversion of $55 would receive 1.8181 or 1.82 shares per $100 bond which is simplified by the process of conversion which requires $10 per share to receive these 2 shares of stock. However, to obtain a fair approximation of the computed rise in the bond, from a rise in the stock, 1.8 shares of stock is taken as a base for every $100 of bonds; this would indicate that a price of $55 for the stock would mean a price of par or $100 for the bond; $60 for the stock would mean a price of $108 for the bond; $65 for the stock would mean a price of $117; $70 for the stock would mean a price of $126 and $75 for the stock would mean a price of $135 for the bond.

This illustrates the almost 2 to 1 rise from par that would follow in this Southern Pacific bond is well illustrated in the above table where similar rises have taken place since about June, 1949 to date from the par of bond and of preferred stock which is intended to be emphasized; namely, a 10% to 30% appreciation in a fairly short period in excellent senior securities possessing conversion privileges of promising stocks.

The Southern Pacific is one of the largest railroad systems of 12,485 miles of road with a well diversified traffic. Citrus and other fruits, fresh vegetables, petroleum products, lumber and minerals are important, while manufactures and miscellaneous goods normally contribute about one-half of freight revenues. Average haul is long and much of traffic is in the higher-rate brackets. Agricultural products provided 21% of 1948 freight revenues; forest products 17%; manufactures and miscellaneous 47%; mines 8%; animal products 3% and l.c.l. 4%. Passenger business provided 10% of gross.

It reaches from Portland, Oregon to Los Angeles and thence to New Orleans and dominates Pacific Coast traffic. With the Union Pacific it forms part of the "Overland Route" and runs from San Francisco to Ogden, Utah. Also, with ownership of 88% of

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*Theodore Prince is an economist, investment counsellor and lawyer specializing in corporate practice and taxes and a financial circle figure for 30 years, and was for 20 years head of the Stock Exchange firm which bore his name.—Ed.

Securities Business Primer

By GEORGE F. SHASKAN, JR.*

Partner, Shaskan & Co., Members New York Stock Exchange

In lecture to women investors, Mr. Shaskan describes in elementary fashion the way in which securities are bought and sold. Explains stock exchange, over-the-counter and investment banking functions, and the difference between broker and dealer activities. Cites exchange listing regulations and incidence of Federal regulation.

Having discussed the various types of securities, we must determine how such securities may be purchased and sold. Securities are traded, that is bought and sold, either on an exchange or over-the-counter. Securities traded on an exchange are bought and sold through a broker who is a member of such exchange and acts as an **agent** in executing the orders of a customer. A broker buys and sells for the account and risk of his customer and possesses no interest or ownership in the securities which are bought and sold. For his services he charges a commission.

Geo. F. Shaskan, Jr.

Over-the-Counter Transactions

Securities which are traded over-the-counter may also be bought and sold through a broker but more likely are bought from or sold to dealers. A dealer differs from a broker in that he actually owns the security which a customer buys or purchases a security from his customer, and his compensation, therefore, does not take the form of a commission but is in the form of profit (or sometimes loss) representing the difference between the price at which he purchases a security and the price at which he sells such security. In over-the-counter transactions a firm can at one time act as a broker and at another time act as a dealer; in each case the firm's status in the transaction must be disclosed to its customer.

The principal significance of this difference between broker and dealer—to the investor at least—is that where the firm acts as a broker it discloses the amount of commission it has charged for handling the transaction; on the other hand, where it acts as a dealer, the investor has no way of knowing exactly how much above the market he may be paying or how much below the market he may be receiving.

The Stock Exchange

An exchange is nothing more than a convenient market place where securities can be traded. Exchanges occupy buildings, although up until recent years some of them still operated right in the street — hence the name of our second largest exchange, the New York Curb Exchange. Any one wishing to purchase a security listed on the exchange can through his broker make a bid for that security; and if some one who already owns the security is willing to sell it at that price, purchase it. In the absence of an exchange he might find it an arduous and costly matter to find a prospective seller, but when both buyers and sellers know that a security is traded on an exchange they can meet each other through their brokers at a central place.

There is at least one securities exchange in every large city although recently several of the exchanges in a number of Midwestern cities combined to form a new and large single exchange called the Midwest Stock Exchange. Since the New York Stock Exchange is the biggest of all security exchanges and undoubtedly the best known, we will use this Exchange as an example in our study of exchanges.

The New York Stock Exchange

The New York Stock Exchange is located at the corner of Broad and Wall Streets. In the next few weeks we shall have the opportunity of visiting this exchange and seeing how it operates. As previously stated, it is the largest of all the exchanges, handling approximately 85% of the transactions on all registered exchanges. In its busiest year, the New York Stock Exchange handled some 1,126,000,000 shares. A normal day now for the Exchange is about 1,000,000 shares. There are approximately 1,400 securities traded on the New York Stock Exchange and the total value of these is today probably in the neighborhood of $100 billion.

The New York Stock Exchange is a voluntary association of individual members. There are some 1,375 members. A membership is technically known as a "seat" although as you will see on your visit to the exchange very few of the members actually have seats to sit on. These seats "that aren't" have at times been extremely expensive — exceeding $500,000 in 1929 but has fallen as low as $17,000 in 1942. The present price for a "seat" is approximately $50,000. Broadly, a "seat" gives a member and his firm the right to execute orders on the exchange; that is to buy and sell securities for customers, charging them a commission. For a firm to be a member of the New York Stock Exchange at least one of its partners must own a "seat." However, not all owners of a seat on the New York Stock Exchange operate member firms.

Classes of Exchange Members

More specifically, members of the exchange may be divided roughly into five classes. About one-half of the members are commission brokers who handle the purchase and sales orders on the floor of the exchange for the general public for a commission. About one-quarter of the members are specialists who restrict their trading activities to one or a

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*Transcript of the third lecture of a series on "Investment Planning for Women," given under the auspices of Shaskan & Co., at the Hotel Barbizon, New York City. The subsequent sessions will similarly be published in the "Chronicle"—*Editor.*

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Coal was the key to increased industrial output the past week. As coal stocks piled up over-all production for the country as a whole reflected a slight advance above the level for the similar week of 1949 for the first time in some months.

The extent of the recovery of the nation's soft coal mines was quite marked following the setback suffered by the industry in the recent coal strike.

To illustrate the scope of its progress more than 13,000,000 tons of soft coal poured from the pits in the week ended March 11.

The National Coal Association estimated bituminous production in the week ended March 11 at 13,200,000 net tons. Output the week before was 3,075,000 tons. The strike ended on March 6.

When UMW members were on strike, soft coal output averaged a little over two million tons weekly. When UMW members worked a three-day week during the recent coal dispute, output averaged a little over seven million tons a week.

Production of soft coal in the corresponding week last year—when the mines operated a full five-day week—was 10,682,000 tons.

* * *

In keeping with higher coal output steel production rose the past week over 16 points to 89.8% of capacity and this week it is scheduled at a rate of 95.5% or the highest level since the week of April 11, 1949.

Commenting on the steel market, "Steel" magazine states that sentiment is definitely bullish, pointing out that in the wake of the sharp snapback in steelmaking following the coal strike settlement, consumer specifications have spurted. It also notes that stronger demand affects virtually all products. Even slow moving items, such as plates and shapes, are under increased pressure. Demand improvement has attained a point where some market authorities regard it as a trend rather than a temporary adjustment from the coal strike setback. They see it as a movement which may well continue into summer in view of tighter supply conditions and expanding requirements of manufacturing industry in various directions.

* * *

Automotive production showed further expansion the past week as a result of Saturday work in Ford assembly plants and a step-up in daily schedules by the various divisions of General Motors Corp. Willys Overland also contributed to the week's gains.

"Ward's Automotive Reports" points out that a weekly production record could have been achieved the past week had it not been for the Chrysler strike. The company's plants, it added, would have contributed some 35,000 units, bringing the total well above the 53,000 record set last July.

* * *

In the matter of pensions the United Automobile Workers Union, it was learned last week, has for the present suspended its effort to require the Ford Motor Co. to pay 8¾ cents an hour per worker into the employees' pension fund without change, even if the benefits provided under Federal social security are increased. This was revealed in the details of an agreement between the United Automobile Workers Union and the company on interpretation of the settlement they reached last September. The agreement specifically permits Ford to reduce the payment if social security benefits rise. Earlier last week, the union signed a contract with Nash Motors under which the company will pay seven cents per hour into the pension fund without change during the life of the agreement.

STEEL OUTPUT SET AT 95.5% OF CAPACITY—HIGHEST SINCE WEEK OF APRIL 11, 1949

This week steel demand is as great as it has been for many months, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. Although it was harder to obtain steel during the strike last October or during the coal crisis last month, the pressure from steel users was no greater than it is now. This pressure will probably ease off during the second half of the year.

What was true during the steel strike last October appears to be true today. During the coal crisis last month steel people believed that some orders on their books were a hedge against

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Annual Reports—Review of the 1949 annual reports of a group of companies in most of the major industries—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Bank Stock Analyzer—Tabulation as of Dec. 31, 1949—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Also available is a tabulation of preliminary operating results for **Insurance Stocks** for the 12 months ended Dec. 31, 1949.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Puts and Calls—Booklet—Filer, Schmidt & Co., 30 Pine Street, New York 5, N. Y.

Railroad Income Bonds—Discussion, in monthly market letter—Goodbody & Co., 115 Broadway, New York 6, N. Y.

In the same issue are lists of stocks which the firm considers interesting for income and speculation.

Steel Stocks—Analysis of outlook—Distributors Group, Inc., 63 Wall Street, New York 5, N. Y.

* * *

Airfleets, Inc.—Analysis—Stanley Pelz & Co., 40 Exchange Place, New York 5, N. Y.

Amerex Holding Corp.—Report—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Anglo-Iranian Oil Co.—Special report—Model, Roland & Stone, 76 Beaver Street, New York 5, N. Y.

Bingham-Herbrand Corp.—Analysis—Penington, Colket & Co., 123 South Broad Street, Philadelphia 9, Pa.

Continental Oil Co.—Annual report—Continental Oil Co., 10 Rockefeller Plaze, New York 20, N. Y.

Walt Disney Productions—Analysis—Batkin & Co., 30 Broad Street, New York 4, N. Y.

Walt Disney Productions—Circular—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Equitable Life Assurance Society of the United States—President's Report to the Board of Directors—Equitable Life Assurance Society of the United States, 393

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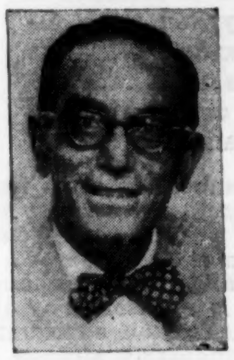
Observations . . .

By A. WILFRED MAY

The Credit Crusade Goes Into High Gear

At their inception the various devices for extending the United States postwar help abroad, such as the British Loan, the Marshall Plan and even the International Bank, aroused considerable misgivings over our ability to foot the bills. But those earlier "lavish" programs, as well as the mere hundreds-of-millions of dollars being negotiated by ECA Administrator Hoffman, now seem to be merely "odd-lots" in the world investment market as it is being promulgated.



A. Wilfred May

"Going to town," Mr. James Warburg, economist and banker, has proposed the annual outlay of $9 billion; the Public Affairs Committee wants $500 billion spent over 50 years; and Senator Briem McMahon has broached his widely-heralded plan calling for our expenditure of $50 billion during the next five years in a "stupendous" new program of international "investment" to help all nations, including the Soviet.

The Newest Credit-Away Program

Whereas many of these plans are readily discountable on the score of dreamy idealism or political motivation, a brand-new proposal far and widely surpassing the others in scope, is now being unabashedly put forth by a sophisticated corporation lawyer, as developed in consultation with one of the nation's most hard-headed and wise business leaders, and carries the endorsement of the United Nations. The lawyer is Benjamin Javits, prominent New York and Washington attorney; the business man is Charles E. Wilson, President of the General Electric Company and former executive head of the War Production Board. It is all spelled out in detail in a currently-issued book:—**"PEACE BY INVESTMENT."—By BENJAMIN JAVITS. A United Nations World Book. 242 pp. New York: Funk and Wagnalls Co., $3.50.**

Dwarfing the McMahon thesis, Mr. Javits wants to buy prosperity and peace everywhere in the world for two **trillion** dollars—in installments of $20 billion per year during the coming half-century.

Javits conceives his vast lending program as an **investment** operation. *"Investment means credit,"* he says, *"and we owe in large measure our good society of free enterprise and democracy and our own high living standards to the invention of 'paper' credit and the uses to which we have put it. . . . Economically the United States has been built on credit quite as much as, politically, it has been built on the Constitution. . . . Investment by means of credit in today's world is more than an economic method for enlarging man's ability to produce. It is also an expression of faith in his ability to banish want and insecurity, those primary causes of anarchy, violent revolution and war."*

Mr. Javits makes obeisance to the need for practicality by citing the test of productive purpose. *Our thesis is: "Debt and investment for productive purposes only,"* on which he elaborates as follows: *"No great business enterprise has ever prospered without constantly going into greater and greater debt, even if that 'debt' was in the form of common stock or equity money. . . . It is up to us as the only alternative toward chaos and the probable extinction of the human race to invest and invest again in the natural resources, in the human skills, and in the strivings toward a free man's freedom among other peoples. On a scale hitherto almost beyond imagination, we must provide money, machinery, and engineering and managerial talents from Philadelphia to Paris, from Chicago to Calcutta, from New York to Nanking. . . . only when we foster industrial development on this massive scale can we raise living standards both at home and abroad,"* concludes his credo.

On the major premise that existing plans for helping the world are inadequate, Mr. Javits maintains that we must fearlessly increase in geometric progression our capital-extension in all areas of the world, to prove to undecided populations that capitalistic democracy can provide the means of good living better than can communism.

The Dollar vs. the Bacteria Weapons

The dollar is the universal monetary unit today, says the author. But unless we use our economic power to insure the peace, our planet will be dissolved into motes of atomic dust drift-

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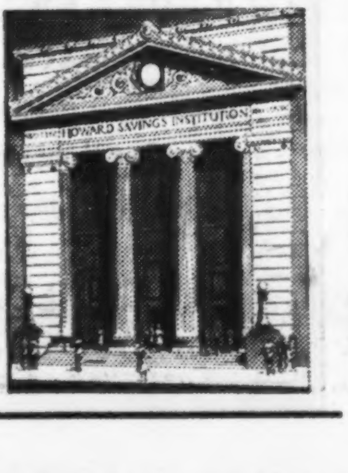

The Frear Bill: A Trap to Ensnare Little Business for Big Business

By THOMAS GRAHAM*
President, The Bankers Bond Co., Inc., Louisville, Ky.
Chairman, Investment Banking Committee,
Conference of American Small Business Organizations

Asserting there is no need for legislation such as Frear Bill, Louisville investment banker and spokesman for small business organizations, denies measure is for protection of investors in unregistered securities as SEC contends. Says bill would expand SEC regulations beyond scope of interstate commerce and is therefore invasion of state control. Sees in bill an instrument for strangling arteries of small business capital, and calls for reform of existing SEC legislation.

It is confounding to those of us who have contributed our financial, spiritual and physical support to the Democratic Administration in Washington, and to American small business that this Administration should be found fighting on the same front with Wall Street in support of the Frear Bill (S. 2408). The principal supporters are the New York Stock Exchange, New York Curb, and other organizations dominated by New York banking and financial interests; also, the Securities and Exchange Commission, some of whose membership must have sold the Executive Branch of the government a "bill of goods." *Timeo danaos et dona ferentis.*

Thomas Graham

*A statement filed by Mr. Graham with the House Committee on Interstate Commerce and Senate Banking and Currency Committee, and constituting the substance of Mr. Graham's report before the Conference of Small Business Organizations.

Such an alignment, although the measure is sponsored by the Securities and Exchange Commission, seems singularly strange in view of the Administration's many declarations of dedication to the cause of small business and industry. Those of us who are opposed to the passage of the Frear Bill, and its companion bill in the House, the Sadowski Bill, oppose it not in principle, but in its ultimate considerations. We are fighting to save "Main Street" from Wall Street. For it is the small business and industry along many a Main Street in America that the Frear Bill, if enacted, will damage. The Senate Banking and Currency Committee's subcommittee has been holding hearings on this bill and some amendments have been agreed upon in principle. But these amendments are mere exemptions which do not begin to touch the real threats inherent in this legislation.

The bill is authored by Sen. J. Allen Frear, Delaware Democrat, Chairman of the Senate subcommittee. Its companion in the House is sponsored by Representative George Sadowski, Michigan Democrat. The Frear Bill, and its companion measure, would extend and expand the powers of the SEC far beyond the intent of the lawmakers when they enacted the so-called "truth-in-securities" legislation in 1933. It would bring within the scope of control and operations of the SEC numerous small businesses and industries which formerly have not been subject to SEC scrutiny and control. The bill would extend SEC authority over all such enterprises having $3,000,000 in assets and 300 or more *security holders, even though such securities were not transacted on the national securities exchanges.*

Invades Intra-State Field of Control

In brief, the SEC would invade the intra-state field of control. The SEC would have the virtual power of life and death over such small enterprises through dictating of information required in proxy forms. It would require detailed reports from small firms at great expense and great burden to them.

This legislation conceivably would subject to SEC control any business with $3,000,000 or more assets, even though that company might be completely one-family owned, if such a business owed any indebtedness that was spread among 300 or more *security holders.* Thus, a closely-held business *with only two or three actual shareholders* which was expanding or operating on assets borrowed, for example, from an insurance company, could be called to accounting by the SEC. Without actually selling a share of stock on a national exchange, or even a local exchange, such a small business could be required to submit to SEC control and regulation.

In Kentucky, there are many small enterprises formerly exempt from SEC regulation which would come under SEC control. This would burden them with additional expense of maintaining and furnishing the SEC with information and would weaken their ability to compete with larger companies. The officer-director rule on stock purchases would, for practical purposes, destroy our Kentucky and Louisville investment markets.

Information on the ownership and operation of such small enterprises is, and always has been, available to prospective purchasers of stock or securities. Most states require by statute that it be furnished, but where it is not so required, courts uniformly have held that the common law applies to the right to obtain it, for a reasonable purpose. Largely, however, such companies recognize the importance of giving out such information, if it is not to be used unfairly or illegally against the company by a competitor. An interested prospective purchaser of stocks or securities of a company can always get adequate information before he buys.

There is no need for such legislation as the Frear Bill, if the SEC's motive is pure. The SEC has contended that this legislation is needed to achieve safeguards for investors in unregistered securities. Courts have held gener-

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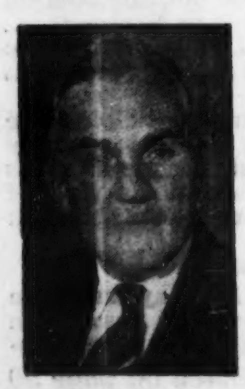
From Washington Ahead of the News

By CARLISLE BARGERON

The country is certainly being confronted with a paradox in the Republicans' charge that the Administration is harboring communists and fellow travelers while at the same time that same Administration is at ideological or diplomatic war with communists everywhere else. Is the country to be led to believe that the spending of billions to "contain communism" in Eastern Europe and the spending of additional billions to maintain a military establishment to defend ourselves against an expected Soviet attack are pure hokum and that the bitter exchanges between the two governments are mere pretense? Could it be possible that two mental giants, Truman and Stalin, have a secret agreement to use fear of the other country as a means of holding their own people together? Or is it that the Administration is just as innocent of the Republicans' charges as a new-born babe, that the Republicans are motivated by desperate political expediency and nothing else. It certainly seems like one of the screwiest set-ups ever presented to a people.



Carlisle Bargeron

The fact is that none of these propositions is true. It is simply that a wierd, almost unbelievable situation does exist. The Republicans have plenty of basis for their charges. Whether Senator McCarthy's charges would stand up in court, if he were permitted to develop them, I am not prepared to say. The truth is that he is being hamstrung at every turn and heaped with denunciation by leftist commentators and editors just as everyone before him has been treated. For almost 15 years charges of the Administration's communist involvement have been made and up until a few years ago the charges were almost exclusively the property of Democrats, not Republicans, and the charges and their authors have invariably been met with derision. It is amazing that even in the face of such things as the Hiss conviction, the leftist journalistic chorus here in Washington and in New York, never let a man finish his presentation before jumping all over him. You would think they would be inclined to move more cautiously. But no, the journalistic rewards to a "liberal" are high and the urge to attain them it very strong, indeed.

There is no questioning, though, the Administration's bitterness towards Joe Stalin. There is no sham about it. He has made

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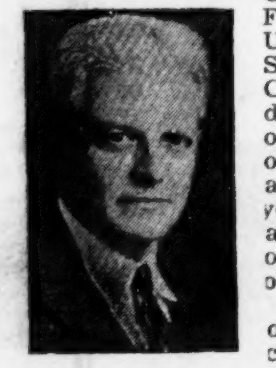
The Problem of Old Age Security

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University
Associate Chairman, Advisory Council on Social Security, Senate Committee on Finance

Professor Slichter, reporting conclusions of Advisory Council of Senate Finance Committee, advocates a Federal system of contributory social insurance, related to prior earnings without a means test. Holds present system is not adequate, due to: (1) many who need protection are not receiving it; (2) the average old-age pension is inadequate and has not kept pace with rise in living costs; and (3) pensions granted are not adjusted to earnings and living standards of recipients. Points out means of preventing premature retirement of workers.

I

My purpose in appearing before you is to report to you on the work of the Advisory Council on Social Security, appointed by the Committee on Finance of the United States Senate, 80th Congress, under authority of Senate Resolution 141, and to answer your questions about the recommendations of the Council.



Prof. S. H. Slichter

The Advisory Council consisted of 17 members from various walks of life and from different parts of the country. The first full meeting of the Council was held in Washington on Dec. 4 and 5, 1947. Its recommendations on old age and survivors' insurance were sent to Senator Milliken, the then Chairman of the Committee on Finance, on April 8, 1948. Between December, 1947, and April, 1948, the Council met for two full days each month and an Interim Committee of the Council met for one full day between Council meetings. Between meetings the members of the Council did a large amount of home work analyzing memoranda prepared by the staff and the Interim Committee. On the average 15 of the 17 members attended each meeting of the Council.

The Advisory Council reached three basic conclusions concerning the problem of old-age security:

(1) That the foundation of the country's system of old age security ought to be a Federal system of contributory social insurance with benefits related to prior earnings and awarded without a means test.

(2) That the present Old-Age and Survivors' Insurance Act is failing to perform adequately the job that it was expected to do.

(3) That the present Old-Age and Survivors' Insurance Act is sound in principle, and that its failure to do the job expected of it is attributable to three principal defects in the act, all of them easily remedied.

In order to remedy the defects in the Old-Age and Survivors' Insurance Plan, the Advisory Council made 22 recommendations for changes in the act. On 20 of these recommendations the Council was unanimous.

My remarks will be divided into four principal parts. First of all, I wish to explain to the members of the Finance Committee why the Advisory Council believes that contributory social insurance related to prior earnings ought to be the foundation of the country's system for old-age security. In the second place, I wish to explain why the Council believes that the present Old-Age and Survivors' Insurance Act is not doing the job expected of it. In the third place, I should like to explain why the Council believes that improvements in the act along the lines indicated by its 22 recommendations would enable the act to become the foundation of the country's system of social security. Finally, I wish to discuss briefly the problem of preventing the premature retirement of workers and to show the bearing of this problem on the cost of old-age security.

II

Why should Federal contributory social insurance related to prior earnings be the foundation of the country's system of old-age security?

The 17 members of the Council—employer members, labor members, and public members—were unanimous in believing that contributory social insurance should be the foundation of the country's system of old-age security. Furthermore, the same conclusion was reached by each of the two previous advisory councils—the Council on Economic Security which helped draft the original law of 1935 and the Advisory Council appointed in 1939. There are four principal reasons why the Advisory Council of 1947-48 reached the conclusion that a contributory system of old-age pensions should be the foundation of the nation's system for old-age security.

In the first place, the pensions provided by a contributory insurance system are not charity. No means test is used, but pensions are awarded as a matter of right. Furthermore, the cost is met from the worker's own production in the form of a tax on payrolls paid by the employer and a tax on wages paid by the worker. Hence the dignity and the self-respect of the worker are shown consideration. After a lifetime of work, it is not right that men should be dependent upon charity for income.

In the second place, old-age insurance encourages self-reliance and thrift instead of discouraging them. A man by being thrifty does not diminish the amount of

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*Statement of Professor Slichter before the Senate Finance Committee, Washington, D. C., March 20, 1950.

Our Asiatic Policy and United States-Soviet Tension

By HON. DEAN ACHESON*
Secretary of State

Secy. Acheson, after exposing Soviet Russia's intentions in China and denouncing violation of China's integrity by treaty, warns Communist China must not engage in aggression against neighboring countries. Says U. S. is aiding in solving problem of free peoples of Asia, and cites economic and military assistance already given and in process. Commits U. S. to work within framework of United Nations, and upholds a positive program in dealing with Russian aggression. At University of California talk, he lays down formula for ending cold war with Russia.

I am going to talk with you today about our foreign policy toward Asia. Since my time is short, I must stick to the main thread.

Dean G. Acheson

First of all, let me remind you that the foreign policy of a free nation in relation to other free nations should be rooted in the fundamental attitudes of the peoples on both sides, and in the facts as they exist.

So far as we are concerned, we know that we are interested in the peoples of Asia as people. We want to help them as people. We do not want to take anything from them for ourselves. We do not want to deny them any opportunity, any freedom, any right. We do not want to use them for any purpose of our own.

On the contrary, we want to help them, in any sensible way we can, to achieve their own goals and ambitions in their own way. We want to do this, because we believe that what the peoples of Asia earnestly desire will make for the kind of a free and productive world in which we and they can live out our lives in peace.

We know that this is our attitude and we say this without qualification of any sort. But we must understand that others will judge us and our intentions not by what we say but by what we do. Actions have always spoken louder than words. Today, amid the welter of distortion which hostile propaganda pours out about us, actions best proclaim our purpose and our intentions.

So it is vitally important that our actions are clear reflections of our purposes. It is vitally important that muddied or emotional thinking should not result in equivocal and mistaken courses. We may know that such actions spring from good hearts, but confused thinking. To others they will be unmistakable proof of ulterior purposes. And have no doubt that there will be no lack of willing tongues to further that message. The end result will be the loss of the priceless asset we have—the confidence of hundreds of millions in our integrity.

Now what are the fundamental attitudes of the Asian peoples? And what are the basic facts in Asia?

Asia in a New Era

We must understand that a new era is in full course in Asia. That whole great region, containing more than half the population of the world, is changing profoundly. The significance of that change, the reason the change is irrevocable, is that it is brought about by a deep and revolutionary movement of the peoples of Asia.

Now that movement, that powerful conviction, is made up of two dominant ideas. The first of these is revulsion against misery and poverty as the normal condition of life. The second is revulsion against foreign domination. These ideas meet and fuse in the positive conception of national independence. This is both the symbol of aspirations and the means by which they may be achieved.

The desire for national independence is the most powerful spontaneous force in Asia today. It is the common tie among the diverse peoples of Asia, the tie between them and the free peoples of other countries, including the United States. Since the end of the war, more than 500 million people have achieved national independence and self-government—in the Philippines, India, Pakistan, Ceylon, Burma, Southern Korea and Indonesia. The people of Indo-China are also moving along this same road, developing with the French a new relationship expressive of their own national aspirations and resting securely on a basis of mutual consent. We welcome this development and shall continue in the future as in the past to encourage it.

In China the same strong longings of the people have reached a different end. Since before the overthrow of the Manchu dynasty in 1912, the Chinese people also have striven for freedom from infringement on their sovereignty, and for improvement of their lives. For years they struggled with unbelievable courage, endurance, and patience against the adversities of nature; against internal division and strife; and against foreign enemies, until the end of the war seemed to bring almost within their grasp the achievement of the hopes for which they had been striving.

Then the failure of their government to respond to their needs, its ineptitude and blindness destroyed all their confidence and

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*An address delivered by Secretary Acheson, before the Commonwealth Club of California, San Francisco, Calif., on March 15, 1950; followed by a second address made at the University of California, Berkeley, Calif., March 16, 1950.

Merchandising Securities At Merrill Lynch

By ROBERT A. MAGOWAN*
Partner, Merrill Lynch, Pierce, Fenner & Beane
Members of the New York Stock Exchange

Mr. Magowan, Division Director of Sales, in describing securities merchandising as practiced in largest concern dealing in securities, points out value of advertising and sales promotion in maintaining and enlarging business. Stresses importance of dissemination of educational literature among public and keeping them informed of developments in securities. Holds public desires knowledge regarding investments, and contends advertising is one of most useful tools in bringing in new customers.

In speaking to you this morning about advertising, sales promotion and the merchandising of securities, I want to make it clear at the outset that my views on these subjects are derived from experience in just one firm in this great industry. And I realize that my firm, with 58 general partners and 100 offices scattered all over the country, has little outward similarity to any firm that may be represented in this room.

Robert A. Magowan

Still, I believe that some of the lessons we have learned, some of the experiences we have had, are worthy of your consideration and may possibly be adaptable to your business regardless of its size.

I hope it will not seem immodest if I talk so much about MLPF&B. There is not the slightest reason for any member of my firm to feel over-satisfied or complacent about anything that has happened in the past. For one thing it is a sobering thought to wake up in the morning and realize that we must take in over $70,000 each business day just to break even. Furthermore, we have had our share of disappointments, frustrations and even downright failures. The most serious failures, as we look back on them, were the human ones. The ink was hardly dry on our first partnership agreement in 1940 when one of our partners was discovered to have violated the rules of the New York Curb Exchange. He was expelled and resigned from the firm and, one year later, another partner was guilty of a defalcation. Both of these events were duly recorded in our Annual Reports, the latter incident on the same page that we mourned the death of our beloved partner here in Philadelphia, Joe Wear. There are other examples of frustration which I will touch on a little later in this talk.

*An address by Mr. Magowan before the Eastern Pennsylvania Group of the Investment Bankers Association of America, Philadelphia, March 8, 1950

Charles Merrill

In a great many businesses you are apt to find an outstanding personality. In Merrill Lynch that personality is Charlie Merrill. Most of you know that his success as an investment banker stems from his early interest in chain stores. He was associated so intimately with that industry that he gained recognition as a merchant himself. He had a profound influence in establishing merchandising policies in several of these mass distribution organizations and it was the knowledge acquired in that business which became the foundation for our present policies at Merrill Lynch, Pierce, Fenner & Beane.

Our firm as it is presently constituted actually commenced operating April 1, 1940—with the merger of Merrill Lynch & Co. with E. A. Pierce & Co. and with Cassatt & Co. Of course, the Pierce firm actually started as A. A. Hausman in 1886, and another firm which joined Hausman was Gwathmey which commenced in 1820. But our modern history dates from 1940.

You will remember that 1939 was a period of almost unprecedented low volume on the New York Stock Exchange. Most firms were losing money, and the firm of E. A. Pierce was no exception. The decade between 1930 and 1940 was a difficult one for all

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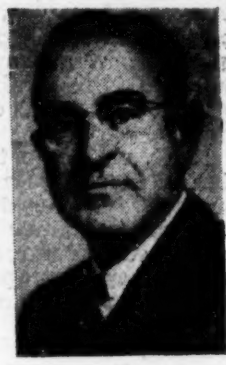
How America Is Being Socialized

By ROBERT S. BYFIELD
Member, New York Stock Exchange

Commenting on objectives of the "Welfare State" as expressed by Senator Hubert Humphrey, Mr. Byfield calls it Socialism "by the back stairs." Lists as components of its price: (1) irresistible bias toward inflation; (2) government manipulation of money market; (3) stifled initiative and government regimentation; and (4) liquidation of local self-government and concentration of power in Washington.

"Every reform is only a mask under cover of which a more terrible reform which dares not name itself, advances."— Emerson, Journals VII, p. 205.

In the social science textbooks of a generation or so ago *Socialism* would have been defined as a type of national economy in which the government owned the factories or the means of production. Today this would be a confusing over-simplification. Just as there are great differences in the capitalisms of England, France, pre-war Germany and the United States, there are various forms of socialism and American socialism has certain characteristics which are peculiar to the genius of our people, their political history and the form of our government. In this atomic and billion dollar age, the technique of socialism has been modernized and rendered more subtle. There is the socialization of incomes under which the government takes a major share of your income and spends it for you and others. There is the socialization of economic decisions such as government planning, and thirdly, there is the classic type of socialism which means the actual taking over of property or assets. This type of socialism or nationalization may be the very last of a series of related acts or moves. It may be the end rather than the beginning of a chain reaction.



Robert S. Byfield

The bottles with socialism in them have likewise acquired new and misleading labels. Among them are such well known ones as "a planned society," "a managed economy" or "a directed economy." We must likewise distinguish between "front door" socialism which boldly walks in under its right name and "back door" socialism which walks in small steps up the rear stairs.

What Is the "Welfare State"?

The "welfare state" is a new phrase for an old theory of government under which government officials assume responsibility for the material welfare of the people. Its most attractive sales argument is that it promises people "economic security." It removes from them the necessity of worrying about their personal financial problems. The best way to explain how people live under the

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Investing in Securities And Investment Trusts

By HARRY L. SEBEL*

Midwest Vice-President, Hugh W. Long and Company, Inc.

Mr. Sebel explains various types of investments comprised in each of two general groups: (1) Dollars Constant Investments, and (2) Dollars Variable Investments. Outlines functions and merits of shares of Mutual Funds Companies as investments, and provisions of the Investment Company Act which safeguard and protect investors in Mutual Funds. Calls attention to dollar depreciation in relation to investments.

I should like to start by pointing out to you that there are but two basic fundamental investment considerations. One has to deal with Dollars Constant Investments, and the other has to do with Dollars Variable Investments. Now I know what you are thinking—this fellow is supposed to talk in understandable terms and at the very outset he introduces such mysterious things as Dollars Constant and Dollars Variable. But I am going to try to explain just what is meant by those terms and I do hope that I succeed because, unless these two things are perfectly clear to you, I am afraid you will miss much of the point of this discussion.

Harry L. Sebel

Dollars Constant Investments have to do with those investments which offer a definite repayment date of a fixed sum of money at a specified rate of return. They are often called fixed income investments and, in general, they are the things with which you are more familiar because they include such things as savings bank deposits which are perhaps the very best type of Dollars Constant Investment that you can make. A savings account, as you know, especially in a bank which is a member of the Federal Deposit Insurance Corp., provides a government guarantee up to $5,000 and is repayable on demand, with a small but certain interest rate.

Next, we come to a consideration of insurance annuities. These provide for the deposit by you with an insurance company of a certain sum of money and, in turn, the insurance company will repay you a stipulated amount at regular intervals with a small compounded interest accumulation. An annuity usually provides merely to return your money to you together with about 2% compounded interest.

Then there are mortgages which are a lien upon real estate, either city property, or farm land. These are in the amount of the sum invested and run a period of years and carry a specific interest rate, which nowadays is generally from 3½% to 4½% depending upon the duration of the mortgage, the percentage of the loan and the type of property itself.

Finally, we come to the matter of bonds. This term includes var-

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*A lecture by Mr. Sebel before the Women's Finance Forum of the Fourth National Bank of Wichita, Wichita, Kan., Mar. 6, 1950.

How Safe Are High Grade Preferred Stocks?

By BRADBURY K. THURLOW

Analyst, Minch, Monell & Co.
Members New York Stock Exchange

Contending preferred stocks, at today's prices, because of their fixed income basis, are vulnerable to decline in market value in event of further inflation, Mr. Thurlow mentions as another fundamental objection to preferred stocks as sound investments, their tendency to fall in value along with common stocks

We have believed consistently during the past several months that common stock prices were going very much higher in the next few years and that the force which was going to put them there was inflation. This has not been "institutional bullishness" on our part. We do not regard common stocks merely as beneficiaries of a coming speculative boom, but, and this is much more important, as bona fide investments offering the best presently available protection against a further decline in the value of the dollar which now seems inevitable.

B. K. Thurlow

In coming to this conclusion it has seemed proper to survey other fields of investment to determine whether there was any alternative to common stocks. In the course of this survey one class of security presented itself as being so vividly unattractive and vulnerable to attack if our general theory is correct, that it seemed wise to draw attention to it. This class is mainly composed of prime quality, high grade preferred stocks.

Under previous conditions of inflation and deflation here or abroad these issues have sold to yield between 4.3% and 7.0%. Today a typical high grade, noncallable preferred (American Can) sells at 188 and pays $7 to yield 3.7%. There can be no serious misgivings over the security of the dividend for the immediate future, but we question its investment "soundness" at this price. We have been brought up to regard as "sound investments" those securities which afford stability of income and principal. Under post-1933 conditions we should be inclined to amend the definition to state that a sound investment is one which will offer income and principal stability in relation to the cost of living, since it is quite clear that government bonds bought in 1938 and held 10 years were not "sound investments."

How do preferred stocks today measure up to these standards?

We have already allowed that the dollar income on good preferred stocks is safe, although it is clear under our definition that the inability of increasing that income in the event of inflation casts some doubt on their being "sound investments" cost-of-living-wise. This objection can be made against all forms of fixed income securities and is compensated to the extent that a fixed income will automatically increase in value (purchasing power) in the event of deflation. Therefore, as long as the direction of our economy is in doubt (and it still appears in doubt today to many millions), this objection to preferred stocks will not be particularly convincing.

There is, however, another, more fundamental objection to preferred stocks as "sound investments" at today's prices. They are by nature neither obligations nor equities, although they share the disadvantages of both. When common stock prices fall, preferred stock prices fall too. For example, witness the recent close (purely coincidental) correlation in price between the Dow-Jones Industrial Averages (common stocks) and our above mentioned American Can preferred. In 1946 the Averages made a high of 212.50, the preferred stock of 210½. By the end of 1947 the Averages had fallen to 163 and recovered to 177 and the preferred stock was selling around 166. In the meantime the preferred stock had paid $7 and the "Average" stock $9.21. It seems quite clear from this observation that good common stocks were a sounder investment than good preferred stocks during the postwar stock market decline. Should this decline be resumed, it does not appear illogical that high grade preferred stocks might return to their prewar levels of 150 (4.7% yield). This would involve a principal loss of over five years' income from present prices.

Finally, we should consider what might happen if our ideas explained in the opening paragraph should prove correct. Should common stocks rise because of inflation, the holders of preferred stocks might be doubly penalized. In addition to losing the extra income required to offset a rising cost of living, they might easily lose much of their principal value as investors liquidated them in search of better protection. Recently it has taken yields of 10%-12% to bring buying into common stocks when there was widespread fear of deflation. It is not inconceivable that it might take yields of 6%-7% to bring investment buying into high grade preferreds in the face of widespread fear of inflation. The 1946-47 experience was proof enough that preferred stocks could decline in price. A 6%-7% yield basis would mean a decline of 30%-40% from today's preferred stock prices.

No matter what is going to happen in tomorrow's stock market, it seems clear that preferred stocks at today's prices are vulnerable to a decline. In our opinion, they are not sound investments for individuals and should be sold. The holder has the option of buying Savings Bonds, which yield only 1% less and are guaranteed in price, if he is afraid of deflation. If he is afraid of inflation, he can buy such sound common stocks as General Motors, Montgomery Ward, Standard Oil of New Jersey, and Youngstown Sheet & Tube at prices which appear fantastically deflated, if inflation is ahead of us. In either instance he might be wise to act while there is still time.

Factors in Approaching Depression

By CLINTON DAVIDSON, JR.

President, Fiscal Counsel, Inc., New York City

Contending basic causes of depression of 1930s have developed again, Mr. Davidson furnishes statistical evidence that we are approaching a depression in worse condition to weather than in 1929. Does not set date of downward turn, but advises watching trend of retail sales of durable goods for a clue.

The following analysis indicates that the basic causes of the depression in the 1930's have developed again to a more dangerous degree. If this analysis is correct, a depression will be difficult, though not necessarily impossible, to prevent. Our government has pledged the employment of its resources to prevent a depression, but these resources have been impaired by abnormal expenditures, high tax rates and a very high debt. This may explain why during the past year long-term investors have reduced their holdings of common stocks and long-term speculators have sold short the leading stocks in "cyclical" industries, while temporary high yields have enticed short-term investors such as stock exchange partners and buyers on "margin" to add to their holdings.

Clinton Davidson Jr.

Causes of Depressions

Many economists have stated that the prosperity of the late 1920's could not be maintained because it was based on abnormally large expenditures for consumer durable goods on credit and for producers equipment. As these expenditures declined, the resulting depression was aggravated by liquidation of excessive mortgage debt and bank loans, by surplus farm production of the wrong commodities, and by dislocations in international trade. It is enlightening, though discouraging, to compare the magnitude of these maladjustments today with 1929 and 1937.

Non-Sustainable Expenditures for Durable Goods

Consumer durable goods are used for 5-15 years after purchase. Because they are purchased in cycles, their replacement demand also moves in cycles. Consequently large purchases in the 1920's were not sustained by replacement demand in the early 1930's. In the last three years such purchases have again been abnormally large. Recently they have constituted 10% of the Gross National Product compared to 8% in 1929.

Most government economists believe consumers must spend a larger portion of their incomes on durable goods in the future than they did in the past if full employment is to be sustained. A rising trend of durable goods purchases could accordingly be considered a healthy sign. Indeed, it would be healthy if more durable goods were bought for cash by families that can afford then. In the 1920's the wealthier families, instead of buying more themselves, indirectly lent their savings to poorer families who then bought things they could not afford to pay cash for. Since low-income families could not continue indefinitely to increase their debts, such purchases inevitably had to decline. In recent months total purchases of consumer durable goods have run above a year ago because the poorer families have bought more on credit. Cash purchases, however, have run substantially below a year ago because the middle-income and high-income families are not buying so much. The following analysis of consumer credit indicates the unhealthy history of the 1920's is being repeated.

Consumer credit was used excessively in the late 1920's by low-income families to purchase durable goods which they could not afford. As consumer debt got too large in relation to income, these families had to reduce their purchases drastically. In the last three years consumer credit has again been used excessively, especially by families earning less than $3,000 a year. Recently the increase in instalment credit has constituted 1.2% of Gross National Product compared to 0.5% in 1929. It has accounted for 13% of durable goods purchases compared to 5.3%. The amount of instalment debt outstanding now constitutes 6% of Disposable Income compared to 4% in 1929. **To summarize,** consumer debt is rising more rapidly than in 1929 and is already a greater burden to bear. The almost inevitable result should be a severe decline in the demand for consumer durable goods.

In 1948, the Federal Reserve reports, families earning less than $2,500 constituted 40% of our population, and as a group they **spent more than they earned.** Also, these same families, as well as the 20% of families earning about $3,000, **spent as large a percentage of their incomes on durable consumer goods** as did families earning over $5,000. These statistics mean that the large demand for durable consumer goods in recent years has not been entirely the result of high wages but to a large extent the result of people depleting their savings and going into debt to **live beyond their means.**

Producers equipment (including farm machinery and trucks) is used for 10-20 years after purchase. The replacement demand has also moved in cycles. The large purchases in the late 1920's accordingly were not sustained by replacement demand in the 1930's. In the last three years purchases of producers equipment have again been abnormally large. Recently (even after last year's decline) they have constituted 7.4% of Gross National Product compared to 6% in 1929. In view of the fact that manufacturing profits are declining and the ratio of manufacturers' cash to current liabilities is below prewar, these abnormal expenditures can be expected to decline further.

Exports and Purchasing Power

Net exports (exports minus imports) measure the immediate impact of foreign trade on purchasing power. In 1929 private foreign investment stimulated net exports equal to 1% of Gross National Product. Recently (even after a 60% decline from 1947) they have constituted 1.6%. Just as the stopping of foreign investment eliminated net exports for several years after 1929, so the prospective decline in foreign aid will reduce net exports in the future.

Export trade also faces substantial readjustments which will reduce employment and investment in several domestic industries now enjoying temporary export markets. In the 1930's chronic dislocations in international trade engendered by World War I and nationalistic economic policies were reflected in foreign financial crises and currency devaluations. The chronic dislocations in international trade are now far worse. The Marshall Plan has not prevented some financial crises and currency devaluations, and the worst is yet to come.

Before World War I Western Europe sold manufactured goods to, and invested in, the undeveloped areas, which produced raw materials for sale to the United States, who then sold goods to Europe. Now Europe's net investments in these areas are greatly reduced, the United States competes with Europe in selling manufactured goods to these areas, and has developed domestic substitutes for some of the raw materials imported. Obviously we can't continue displacing Europe in her prewar markets and expect her to earn enough dollars to pay for our present volume of exports. We are not taking steps to restore the prewar pattern of trade, and we have not devised a new workable pattern. What will happen? Nothing pleasing to anyone except Russia.

One step being taken by the Marshall Plan countries to help solve their dollar shortage is the production of more agricultural commodities in their empires to replace U. S. farm products. This will aggravate our farm problem of how to correct surplus production of the wrong commodities stimulated by uneconomic price supports.

Population Cycles and Residential Construction

During the 1920's the population reaching marriageable age was cyclically large. This was one of the basic causes of the boom in residential building and in the demand for home furnishings. In the 1930's there was a cyclical decline in the "marriageable" population and a low level of home building. In the 1940's marriages reached a new cyclical peak. They are now declining, and population forecasts of the Census Bureau indicate marriages in the 1950's will be fewer than in the last decade. If this forecast is correct, it bodes ill for the building boom.

Government spending was increased in the 1930's to compensate for declining private spending. When the government started anti-depression spending, the

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Lucien Hooper to Speak At Boston Invest. Club

L. O. Hooper

BOSTON, MASS. — Lucien O. Hooper, market analyst for W. E. Hutton & Co., members of the New York Stock Exchange, will address the Boston Investment Club on Wednesday, March 29, on "Solving the Stock Market's Mysteries." The meeting will begin at 5:30 p.m. and dinner will be served. Mr. Hooper is a past President of the National Federation of Financial Analysts Societies.

Review and Forecast of Industrial Development in Puerto Rico

By R. RODRIGUEZ-LAZARO
Assistant to the President
Puerto Rico Industrial Development Company

Stressing need for further industrialization of Puerto Rico to meet challenge of an increasing population and disparity between their production capacity and purchasing power, official of recently established government sponsored Puerto Rico Industrial Development Company recounts briefly steps already taken and in prospect to foster the Island's economic growth.

The beginnings of the industrialization program in Puerto Rico sprang from the vicissitudes of war. In 1942, submarine warfare in the Caribbean had been systematically cutting into the supply lines of the island. Its sugar lay dead in mill warehouses and the much needed victuals from the North were consistently ending in the sea.

The situation called for belt-buckling, sound thinking, and courageous action. Surely, if Puerto Rico was to produce one crop — sugar — and sell it to the mainland in exchange for everything else: food, clothing, shelter, living . . . communications had to be maintained at all costs. The Armed Forces did a noble job, and the islanders did not starve after all, but the die was cast. Puerto Rico, in some manner, had to complement its agriculture with industry. And many of the products it was then and even now is buying elsewhere, perhaps someday could be secured from a local source.

Moreover, the war had brought into sharper focus the disparity between productive capacity and purchasing power, between population and land. Nowhere in the Western Hemisphere was the land-man ratio more tipped against man. On an island 3,500 miles square, 2,000,000 humans were faced with possibly the biggest challenge in their history—industrialize or quit.

It was, and still is, a stinging challenge. Reality however bleak, was staring Puerto Rico in the face. Puerto Rico choose to "tough it out." And its Industrial Development Program was born.

The instrument was, and is, the Puerto Rico Industrial Development Company; but the dynamic, germinating force is in the Puerto Rican people. PRIDCO was requested to develop this human resource, and the island's economic resources as well. A big job, indeed! And as such it was tackled.

New Plants Established

Private capital, then tied up in the war effort, was beyond Puerto Rico's reach. Yet, the challenge could not wait. PRIDCO, therefore, dug into its own resources and acquired a cement plant, then Federal property. Glass, paperboard, and clay blocks followed in quick succession. The latter had to be built from scratch. All were efforts at breaking the icicles around the core of private capital.

A shoe plant followed. Then textiles came up for study: a cotton textile mill loomed in the drafting rooms of the company's engineers. In the figures and charts of its economists it was a "natural." Then, with the war coming to a sudden end, the icicle-breaking began to show results. Textron Southern liked the idea of a mill on the island. It saw the economic reasoning, the logic of the thing. And the first private mill was born.

Objective No. 1 had been attained. Industrialization through private enterprise became the keynote, and PRIDCO directed its energies accordingly. Everything it had been training for lay ahead.

After Textron came Beacon and blankets, then Plaza and rayons, Crane and dinnerware, Haskins and plastics, Nash and leatherware, Tele-Tone and radios, Gustave and slippers, Beller and sportswear, St. Regis and paper bags, Claussner and hosiery, Charms and candy, Farnsworth-Reed and men's wear, and so on. The big and the small—pioneers all!

Then, Joyce of California took over the shoe plant. The march was on. A new frontier, indeed. This time, without the psychology of "boom." It was pure economics. A frontier whose riches are not to be had by just picking a rock, or sinking a well, but by solid business thinking and careful scheduling. It is no place for the get-rich-quick or the inefficient. The "prospector" of old will find Puerto Rico disappointing. The businessman of goodwill, with a good head on his shoulders, will find it pregnant with industrial possibilities.

In the field of North and South American relations Puerto Rico may well be the training ground. For Puerto Ricans, though Latins in origin, are Americans in thinking. President Truman's Point IV has opened a remarkable vista in that direction — a corollary to F. D. R.'s "good-neighbor policy," indeed, and a field in which Puerto Rico could undoubtedly excel.

The old concept of "natural resources" is facing a serious change in Puerto Rico. Where it had "people," it now has "manpower"; where it had "distance," it now has "location"; where it had "isolation," it now has "understanding." In a world that has split the atom, "natural resources" are where the heart is.

Sixty industries, of all sizes, adding a potential annual wealth of $50,000,000, have found Puerto Rico a good situs for progress in the postwar. Their establishment has entailed skillful guidance, alert management, precise coordination, and plain, old-fashioned hard work.

TEODORO MOSCOSO, JR.

Mr. Moscoso is President and General Manager of the Puerto Rico Industrial Development Company

Thus, it is being done, and will continue to be done.

What Puerto Rico's Industrialization Means to U. S. Business

To the mainland manufacturer any increase in Puerto Rico's purchasing power represents a direct increase in his sales. For every dollar added to the island's income, 50% goes for purchases on the mainland. The island is now buying $1,000,000 a day worth of goods here. It is the U. S. largest per capita customer in the world. The ceiling could be the sky. And the correlation is inexorable. History has joined Puerto Rico and the U. S. A. together. Their destinies are the same.

At present, U. S. Federal taxes do not apply on the island. Without representation, taxes are impossible. Yet, not being an incorporated territory, the U. S. does not contribute to the costs of the island's Government. The latter, therefore, levies and collects its own taxes. Borrowing a page from its brethren already in the Union, Puerto Rico has exempted from its own taxes most of the new industries locating on its soil: a sincere investment in their future, in reciprocity for their faith in its own. As Governor Munoz indicated recently, this being but a temporary measure (it's scheduled to end in 1962), the time has come to revise it, incorporating its underlying principle —aid to industry — into a more permanent fiscal policy with exemptions for none and sharing for all. This means a policy where "production" will receive the benefit of incentive taxation, thereby compensating for the higher risks involved.

The story of Puerto Rico is but beginning to be told. Its industrial program is but a babe in arms. Yet its physical limitations are such that, should it ever be saturated industrywise, its share of U. S. production would scarcely reach 2% of the huge American industrial establishment. But that share, however small, would also be a proud share in the happiness, liberty and standards of a people with whom Puerto Ricans—Americans all—share so many attitudes, so many thoughts, and so many hopes.

Government Development Bank For Puerto Rico Blazes the Way

By LEONARD BOURNE

Mr. Bourne describes organization and functions of Government Development Bank for Puerto Rico, which now serves as Fiscal Agent for the Insular Government, as well as central authority for aiding and promoting industrial development.

Puerto Rico has by-passed the automobile age in the field of government financing and has plunged from the ox-cart to the jet-propelled era.

Spearheading this movement is the Government Development Bank for Puerto Rico, of which Rafael Buscaglia, former Treasurer of Puerto Rico, is President. This institution initiated operations late in 1943 through appropriations from the Insular Legislature amounting to $20,500,000. Its principal objectives are to help the industrialization of the Island through loans to new or established industries, and to serve as Fiscal Agent for the Government of Puerto Rico and all of its agencies and instrumentalities. It is in this latter role that the Bank is setting a new pattern of behavior in financing. It serves as an excellent example of what can be accomplished when governmental fiscal matters are centralized and administered through a well integrated and smoothly functioning organization.

Through its "Operation Bootstrap" the Government of Puerto Rico is helping the people to help themselves raise their standards of living to a level comparable with that of an American mainland community. As an aid to the industrialization of the Island, the major force in raising living standards, the government has created several agencies aimed at developing natural resources, such as the production of hydro-electric power, and providing services of a public nature such as transportation, water and sewage disposal.

As financial advisor to the Insular Government, the Bank is charged with the responsibility of studying capital requirements for all such agencies in addition to those of the government itself. Toward accomplishing this job, the Bank establishes a priority of needs. Then, when the advisability for capital improvements in an agency has been determined, the Bank makes an exhaustive study of its financial situation. Before the Bank recommends the floating of a bond issue, it must be satisfied concerning the absolute soundness of the proposition.

RAFAEL BUSCAGLIA
Mr. Buscaglia is President of the Government Development Bank for Puerto Rico.

From there on, the Bank handles all the details. It determines when and how an issue should be floated. The investors' point of view is the prime consideration in setting the Banks criterion in this phase of the work. By following this procedure in all cases, the Bank has been able to raise to unsuspected high levels the credit of both the government and its agencies.

The Bank also realizes that the money market is in need of constant and up-to-date information. Data covering the financial status of those agencies whose bonds have already been issued is constantly being supplied upon request. More detailed information is being supplied in the preparation of new prospectuses. The Bank welcomes inquiries from interested parties concerning any and all phases of the financial status, plans and developments of any governmental agency, whose bonds have been sold or are to be sold in the American market.

Rehabilitation of Puerto Rico's Coffee Industry in Progress

Spurred by world shortage of commodity, Insular Government is providing incentives to encourage soil and water conservation techniques.

The impact of the world coffee shortage, intensified by the high prices it has induced, has thrown into bold relief the need for rehabilitating the Puerto Rican coffee industry.

Under Spain, during the crop year 1897-98, Puerto Rico produced 68,000,000 pounds of coffee and exported 60,000,000 pounds to Cuba and Europe. Coffee was the number one crop. It netted the Island over $12,000,000 a year in those days.

But with the change of flags, the Puerto Rican coffee growers lost the tariff protection they had from Spain. The United States tariff policy for coffee was not protectionistic. This factor, plus a disastrous hurricane in 1898, plunged the Puerto Rican coffee industry into depression.

Since the middle thirties the output has seldom exceeded 30,000,000 pounds, a yield which has not covered local needs. By 1947, the island was a net coffee importer—consuming about 8,000,000 pounds of foreign coffee a year.

A few weeks ago coffee became scarce on the island. Growers were reportedly holding their coffee back for higher prices. But this situation merely highlighted the need for rehabilitating the coffee farms which occupy hilly land in southwestern Puerto Rico, not adaptable to other crops.

The Insular Government in 1945 set up a $5,000,000 hurricane insurance program for coffee growers and in 1946 appropriated $800,000 to launch a program of incentives to encourage needed soil and water conservation techniques. This year it is appropriating over $1,000,000 for the job.

Resident Commissioner Antonio Fernos-Isern has been working with the Agriculture and Interior Departments to get maximum participation Puerto Rican coffee growers in existing Federal soil conservation programs.

Puerto Rico's Food Bill

The Puerto Rican Trade Council states that Puerto Rico bought $105,238,000 worth of food from the U. S. mainland during the year ending June 30, 1949.

Because of lower farm prices, this was slightly below the $112,018,000 spent on the mainland for food in fiscal 1948.

But the food bill is big. It represents a third of the Island's total purchases from the mainland. These were $326,295,000 the past fiscal year and $337,256,000 the year before.

It ran to more than half of the value of all Puerto Rican goods shipped to the mainland. This was $194,903,000 last year, $186,592,000, the year before.

The cost of food offset over 83% of the returns from the sale of sugar products to the mainland. Sugar, rum and molasses shipments to the mainland were worth $130,306,000 to Puerto Rico during fiscal 1949.

The annual food bill is a heavy contributor to the Island's continual trade deficit. This was $131,392,000 during the past year. In fiscal 1948, when mainland farm prices were higher and sugar prices lower, Puerto Rico bought $150,664,000 more goods than it shipped out.

The Insular Government's drive to start new industries and to expand and diversify existing ones, is aimed at narrowing the gap between imports and exports.

Achievements and Plans of Puerto Rico Water Resources Authority

By ANTONIO LUCHETTI

Executive Director, Puerto Rico Water Resources Authority

Island now produces 500 million kwh. Demand grows at average rate exceeding 10% per year.

SAN JUAN, PUERTO RICO—Puerto Rico now surpasses Brazil, powerful Argentina and Chile in per capita production of electric power. This is the result of hydro-electric power development undertaken in Puerto Rico since 1908 and vastly stimulated in recent years by the Puerto Rico Water Resources Authority.

Antonio Luchetti

The Water Resources Authority, a government agency charged with the fullest development of Puerto Rico's power resources, has taken over the integrated operation of all the principal power-producing units on the Island.

Today, electric power production in Puerto Rico is above 500,000,000 kilowatt-hours yearly. This is the output of more than a score of hydro-electric installations and steam generating plants. But Puerto Rico would like to hold to a minimum the generation of electricity by steam since fuel burned in the Island for power generation must be imported. However, due to the rapid increase in demand for electric power, the Authority has found it necessary to supply a substantial portion of this demand by steam generation. The new San Juan steam plant, with an initial capacity of 60,000 kw., is being built to supply this need.

A major source of present electric-power consumption is provided by two recently-completed hydro-electric projects, Das Bocas and Caonillas. Both are located in the mountainous central western section of Puerto Rico where the annual rainfall reaches 100 inches. They point the way towards ultimate realization of a total potential hydro production of 700,000,000 kw. a year of electric power through like projects in other parts of the Island.

Das Bocas, near Arecibo, forms a lake five miles long just below the junction of the Arecibo and Caonillas Rivers, in the Arecibo basin. It was completed in 1943. Its storage capacity in terms of electric energy amounts to 2,400,000 kw.

Caonillas Dam is turning out 50,000,000 kwh. a year. Located in the mountains between San Juan and Ponce, the 230-foot high barrier stores flood waters for power production during the dry season.

An important feature of the Caonillas project is a concrete pressure tunnel nearly two miles long and eight feet in diameter. This tunnel, driven through solid rock, conveys the reservoir's waters by means of additional steel pipe line to the power house, two and a half miles downstream. It provides a power-head of over 500 feet. The dam, reservoir and power plant were completed in 1949 at a cost of $10,000,000.

An additional 36,000,000 kwh. will be added to the Island's total with the completion of a series of four more dams. This undertaking, known as the Caonillas Extension Project, will add 30.7 square miles of drainage area to the Caonillas system.

The largest hydro-electric project of all is still in the plans stage. While Carl A. Bock, Chief Engineer for the Water Resources Authority, has ventured no definitive estimate of its electric power capacity, he has stated that its cost may reach $25,000,000 and require seven years' work to complete.

The water source for this development is located in a rugged and mountainous area north of Ponce, on the Island's south shore. This Lajas Valley Project, as it is known, calls for the construction of 12 miles of tunnels and the building of three large and two small dams.

Waters impounded by the dams will be used for generating power and then for the irrigation of some 30,000 fertile but dry acres on the south shore, where rainfall is relatively scanty. At the present time, cultivated areas on the south shore are being irrigated with water from wells and small streams.

While at present a large part of Puerto Rico's power for industrial use is being distributed in San Juan, Ponce and Mayaguez, where industries have sprung up in recent years, the electrical transmission and distribution system of the Authority has already extended to all parts of the Island, making it possible to place new industries in any convenient location.

With continued extension and improvement of its generating facilities and distribution system, the Water Resources Authority sees itself in a position to adequately meet the power need of the Island and to substantially further the economic growth of Puerto Rico.

U. S. OKs New Health Centers in Puerto Rico

SAN JUAN, Puerto Rico—The U. S. Public Health Service has approved the building of four new health centers and hospitals in Puerto Rico.

Surgeon General Leonard A. Scheele gave the green light to planning the following projects under the Federal hospital program initiated in 1948:

(1) A $156,000 health center in Camuy, with the Insular Government paying $52,000 of the cost.

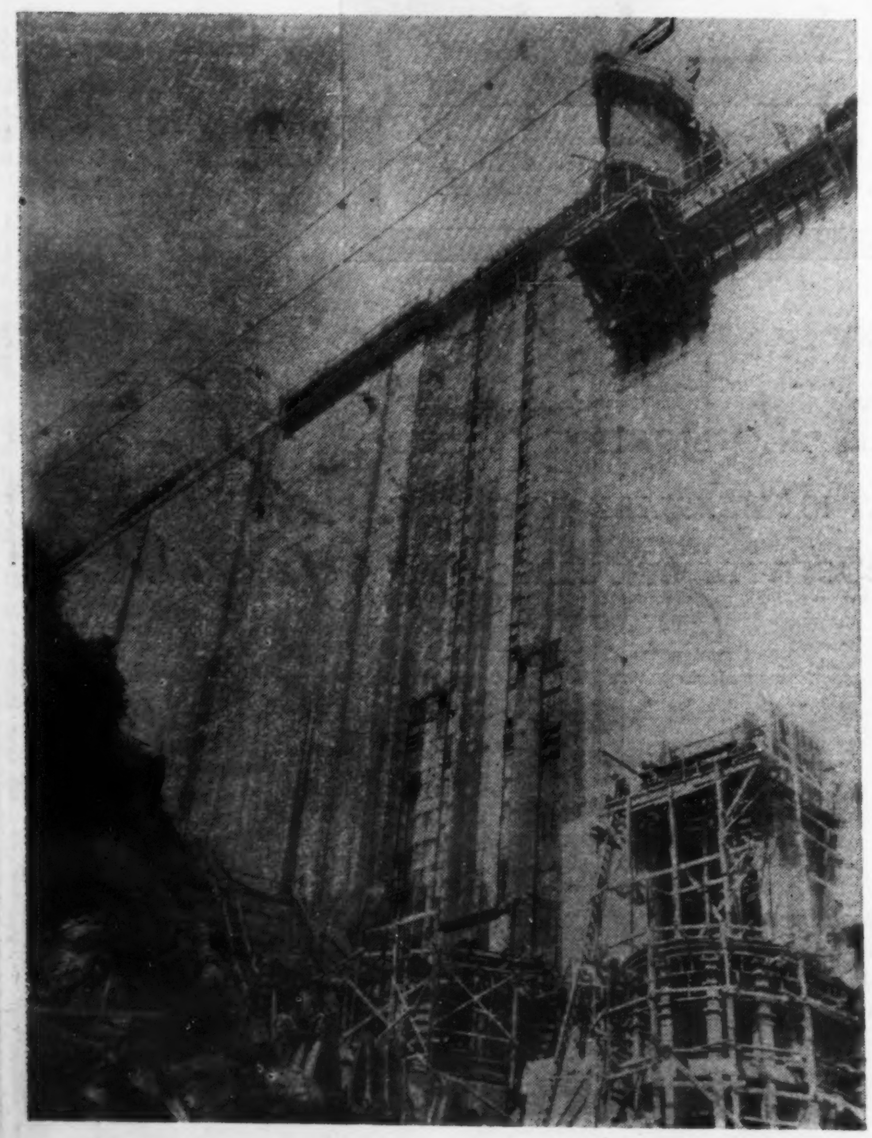
(2) A 38-bed general hospital and health center in San German, with one-third of the $300,000 cost coming out of insular funds.

(3) Alterations of the existing health center and construction of a 22-bed hospital in Vega Baja. Insular funds will cover one-third of the $180,000 cost.

(4) A new health center in Hormigueros. Insular funds would make-up $37,500 of the total $112,500 cost.

These are among the 2,500 projects expected to be approved for construction across the nation during the two years ending June 30, 1951.

Electric Power to Meet Demands of Industry



CAONILLAS DAM, shortly before completion and flooding of valley between San Juan and Ponce which it has transformed into a reservoir.

The $10,000,000 project, built by the Puerto Rico Water Resources Authority, was financed in part by the Government Development Bank for Puerto Rico. It has added 50,000,000 kwh. of hydroelectric power yearly to Puerto Rico's power resources, now totaling 600,000,000 kwh. yearly.

Plant development is now under way to increase power production by over 300,000,000 in the next few years. This program will add 30,000 acres to irrigated areas as a by-product of hydroelectric power output.

The Government Development Bank for Puerto Rico is playing a vital part in the development of these and other industrial resources.

Puerto Rican Banks Now in FDIC

By DR. A. M. SAKOLSKI

Recent admission of seven leading Puerto Rican banks to full membership in organization indicates their soundness and is step in direction of integration of Puerto Rico's economy with that of the United States.

SAN JUAN, P. R.—A step in the direction of the integration of Puerto Rico's economy with that of the continental United States is the recent admission of seven Puerto Rican banks, including three major ones, as full members of the Federal Deposit Insurance Corp. These banks have been examined and found sound and fully qualified for FDIC membership and, because of this, and because of their subjection to the supervision and management standards imposed on American banking institutions, it is expected that they will attract a larger share of savings of the Puerto Rican population and a larger portion of the banking business of United States and foreign countries.

A. M. Sakolski

The importance of the FDIC guaranty of deposits up to $5,000 of each account, a limit soon to be increased to $10,000, lies in its feature of creating great confidence on the part of the general public in Puerto Rican banks.

The Puerto Rican banking situation can be described simply. In the principal commercial and savings banks there are now about $300,000,000 of deposits, probably about a third of them checking accounts and a larger amount of savings funds.

According to recent estimates, there are something under 50,000 checking accounts and less than 100,000 savings accounts. The number of accounts increased considerably during recent years. Many of the branches now operated by Puerto Rican domestic banks take the place of independent institutions that formerly existed. The FDIC membership will increase the confidence of the public in the banks and accelerate the use of these institutions.

Though foreign banks operating in Puerto Rico do a large share of the foreign trade financing, the local banks handle, to a large extent, the financing of home affairs and production. Credit inquiries as to the home-chartered banks have arisen not so much from doubts as to their stability, but simply from lack of knowledge of their business and their balance sheets.

Puerto Rico Building New Air Terminal

$15,000,000 project to be completed this year.

SAN JUAN, Puerto Rico—Looking towards the time when present airport facilities will be unable to accommodate the greatly increased air traffic between Puerto Rico and the mainland, the Puerto Rico Transportation Authority is now constructing a new $15 million airport on a tract of land about 20 minutes' drive from the heart of San Juan.

The site has already been cleared and construction crews are filling and leveling areas for the landing strips, expected to be completed by the end of 1950. They will accommodate the larger type passenger planes which are expected to be used on the New York-San Juan and Miami-San Juan air routes.

According to Salvator V. Caro, General Manager of the Puerto Rico Transportation Authority, 900 flights per month are now being handled at the Isla Grande Air Terminal in San Juan which went into operation in April, 1949; 314,346 passengers have been cleared since that time, an increase of more than 15,000 over the previous year. Also, more than 18 million pounds of air cargo were handled, a nearly 100% increase over 1948 when operations were confined to a smaller terminal building nearby.

Puerto Rico Banks Get Federal Deposit Insurance Coverage

Gov. Luis Munoz-Marin (left) accepts the first certificate for the Puerto Rico banks from H. A. Cook, Director of the Federal Deposit Insurance Company as the Insular Treasurer, S. L. Descartes (far right) looks on.

PUERTO RICO'S economic and financial stability was boosted greatly when seven financial institutions chartered under the banking laws of the Island were granted certificates of admission to the Federal Deposit Insurance Corporation. Holding virtually all the assets of banks in this class, totaling about $150,000,000, the Puerto Rico banks now become integral units of the continental U. S. A. banking system. Presidents of the banks, members of the government as well as of the Puerto Rico business world attended the ceremonies at Fortaleza, residence of the Governor.

Federal Government Supplements Puerto Rico's Low Cost Housing

Puerto Rico Housing Authority and housing authority of San Juan and Ponce recipients of initial assignments by Public Housing Administration.

The Federal Public Housing Administration recently made two assignments to Puerto Rico under Public Law 171, the Public Housing Housing Act of 1949.

The PHA first assigned the Puerto Rico Housing Authority 4,500 houses, then an additional 3,900 houses to the municipal housing authorities of the Island's principal cities, San Juan and Ponce.

These were among the PHA's initial assignments under the Housing Act's authorization of $1,500,000,000 to build 810,000 units of low rent public housing across the nation in six years.

Assignments under other sections of the Act are awaiting appropriations of the funds authorized. Puerto Rico hopes to participate in the Act's Slum, Clearance, Home Research and Rural Housing programs.

Congress authorized $1,000,000,000 for loans and $500,000,000 for grants to clean up the nation's slums. The Housing and Home Finance Agency is seeking about $3,000,000 to finance a housing research program and the Farmers' Home Administration about $27,000,000 to finance the first year of its program of loans to help farmers build or rebuild their homes and farm structures.

Until the Public Housing Act came along Puerto Rico had shared in two principal Federal housing programs. The Farmers Home Administration reports 740 loans, averaging $5,000 each, have been made in Puerto Rico since the program of loans to buy farms began in 1937.

Under the U. S. Housing Act of 1937, Insular and Federal funds have been pooled to build 800 units in Mayaguez, 1,581 in Ponce, 831 in San Juan, and 2,479 elsewhere on the Island. Of these all but 280 in Ponce and 200 in San Juan are finished and occupied. The program was delayed by wartime shortages of materials.

Reports Puerto Rican Population Rise

Despite the migration of 29,000 persons and the death of 23,000 others, Puerto Rico's population grew 35,000 during 1949, according to insular government statistics.

The death rate continued to decline. The number of deaths per thousand population stood at 10 last year, compared to 12 in 1948 and 18 in 1940, reported Jose L. Janer, Chief of the Insular Vital Statistics Bureau.

During 1949, Janer said, 87,457 births and 23,325 deaths were recorded. Births maintained a level of about 40 per thousand people.

Between July, 1940 and mid-1949, the Puerto Rican population increased about 340,000 — from 1,878,000 to 2,220,000.

The widening gap between births and deaths means more persons for which the Island's industrial development program is expected ultimately to create jobs.

Puerto Rico's Vocational Training Program Highlights Trend Toward Industrialization

More than 3,000 students now attending trade schools and program of diversified occupations is now being followed.

SAN JUAN, Puerto Rico—The vocational trade and industrial education program of Puerto Rico has a great responsibility to meet in the preparation of adequate personnel to broaden the base of Puerto Rico's industrial economy.

Important steps have been taken by the Insular Government toward this end. The present program comprises, in part, seven schools at San Juan, Caguas, Humacao, Guayama, Ponce, Mayaguez and Arecibo with a total enrollment of 1 093 students, which is about one-half the number of applications. Tuition is free. Training is being given at these schools in auto mechanics, electric wiring and electric motors, plumbing and pipe fitting, machine shop, radio, printing and linotype operations, furniture making, carpentry, dressmaking and sewing machine operation.

Part-time and evening courses were offered last year in these schools to 362 students.

Diversified Occupations Program: The diversified occupations program was offered by 18 coordinators in 14 high schools of the Island, with an enrollment of 364 students. These students are receiving training in a highly varied list of occupations including factory management, watch-repairing, dental mechanics, radio communication, X-ray technique, welding, drafting and telephone operation.

Veteran's Training: Special classes for the training of veterans are being held in the seven vocational and trade schools and in four veterans' vocational trade schools at Cayey, Utuado, Farjado and Aguadille. Students, as of July 30, 1949, numbered 1,776. The regular courses are being offered, and include refrigeration mechanics.

The Industrial Arts School at Rio Piedras: This institution, providing high-grade technical instruction for 2,000 students, is a unit of the University of Puerto Rico. It is financed by a revolving fund created by the University of Puerto Rico and the Insular Legislature.

Construction of the Industrial Arts School started in 1947. Although not as yet completely finished, the plan at this time consists of a magnificent administration building and fourteen class and shop buildings of structural steel. The smallest buildings are 60 by 120 feet and have a floor area of 7,200 square feet. The largest of the shop buildings is 80 by 400 feet. This is the machine shop.

Equipment at the Industrial Arts School is valued at about $15,000,000, and compares with that found in the most modern and complete schools of this type on the mainland. The school is entirely supported by students' tuition fees.

International Function of the Rio Piedras School: While the Industrial Arts School at Rio Piedras was founded principally to serve the growing industrial development of the Island, a second objective was that it should become a main reservoir of technical training for all Latin America. The Caribbean Conference has established 30 scholarships for Spanish speaking students at the school.

The techniques and methods taught there are a continuing source of interest to visitors from Latin American countries.

Plan for an Expanded Vocational Training Program: In order to increase the effectiveness and widen the scope of the vocational trade and industrial education program, the following plan has been prepared.

Three regional or area trade schools will be constructed at Arecibo, Mayaguez, and Ponce. These schools, at the end of the six year plan, 1955, will have an enrollment of 1,000 students each. Students from the cities mentioned and the nearby towns will attend these schools. Transportation and cafeteria facilities will be provided.

A second group of schools, with enrollment of 300 students will be constructed at Aguadilla, Caguas, Guayama, and Humacao.

A third group of schools, with enrollment of 200 students each will be constructed at Cayey and Utuado.

The design of these buildings deserves special mention. The factory type of building construction is being used for the shops of these schools. These buildings, so designed, besides being cheaper per area cost than the traditional ornamented school buildings, resemble more the industrial building in which the trainees will go to work when they finish their training at the vocational schools. The floor area of the Arecibo, Mayaguez, and Ponce Vocational Schools shall be 100,000 square feet; that of the Aguadilla, Caguas, Guayama, and Humacao shall be 33,600 square feet and that of Cayey and Utuado shall be 17,600 square feet.

Funds for Vocational Education: To get a clear picture of the increase in funds for all the **fields** of **vocational** education let us get a look at some pertinent figures. On April 23, 1931, the Insular Legislature on accepting the benefits of the Smith-Hughes Act appropriated the sum of $113,000 to match the $105,000 provided by the Act. In 1941 this sum was increased to $130,000 and in 1942 to $160,000. In 1937 the benefits of the George-Deen Act were extended to Puerto Rico. To match the $280,449.91 provided by this law, the Insular Legislature appropriated $292,449.91; this sum being increased in 1941 and 1942 by $30,000 and $25,000 respectively. On Aug. 1, 1946 the amount appropriated to Puerto Rico by the George-Deen Act was increased by the George-Barden Act to $358,575.90. On March 2, 1948 it was again increased to $402,-300.63.

Besides these appropriations made by the Insular Legislature, the Insular Planning Board has recommended several additional appropriations for the construction and equipping of vocational trade schools. On May 9, 1949 these appropriations amounted to $3,201,074.

Vocational Training to Meet Needs of Industry

MACHINE SHOP in Puerto Rico's School of Industrial Arts where 2,000 students are receiving technical instruction basic to the Island's industrialization program. The school is entirely supported by students' tuition fees. Another 2,000 students are receiving technical training in the Department of Education's trade schools.

Two Puerto Rican Cities Authorized To Increase Debt

Arecibo and Rio Piedras permitted to exceed 5% limit to finance growing municipal needs.

The House of Representatives has unanimously approved legislation permitting two Puerto Rican cities to increase public indebtedness from 5% to 10% of their conservative property assessments.

The Organic Act limits municipal debts to 5%. Previous amendments permitted the Island's three largest cities — San Juan, Ponce and Mayaguez — to increase indebtedness up to 10%.

In recommending similar treatment of Arecibo and Rio Piedras —Puerto's Rico's fourth and fifth cities — Interior Secretary Oscar Chapman said their debts currently stand at about 4% of their assessed property value. But "the present 5% debt limitation," he said, "does not provide necessary margin which these municipalities require to meet the increasing responsibility for providing essential public works. . . ."

According to Chapman, on Oct. 31, 1949, Arecibo's property was valued at $19,624,000 and its bonded indebtedness was $809,545. Property in Rio Piedras was assessed at $29,738,000. while its indebtedness was $1,076,000.

Puerto Rico Wins Sugar Victory

U. S. Agricultural Department, acting for Economic Cooperation Administration, agrees to purchase 220,000 tons of raw sugar from the Island to meet requirements of occupied forces in Germany. Removal of restrictions on production imposed by Congress would increase Puerto Rico's income.

(Special to THE FINANCIAL CHRONICLE)

SAN JUAN, Puerto Rico—Puerto Rico this year has won a victory in her struggles to harvest more jobs and more income from her sugar economy.

At the same time, she has been balked in her efforts to lift restrictions on the amount of sugar the Island is capable of growing and refining.

Both developments took place in Washington, but will be felt most by the 135,000 persons who man the sugar mills and cane fields of this southernmost part of the United States, some 1,600 miles south of New York.

The Agriculture Department, acting for the Economic Cooperation Administration, recently agreed to buy from Puerto Rican producers 220,000 tons of the raw sugar needed this year for army-occupied Western Germany.

To Puerto Rico the sale means $20,240,000 more income, 3.5 million more man-days of employment and another year's reprieve before it must trim its production to fit the quota structure of the 1948 Federal Sugar Act.

The same day, however, the U. S. Supreme Court, in effect, recognized the right of Congress to limit the amount of Puerto Rico's own sugar she can refine for sale in interstate commerce.

Denying the Insular Government's appeal that such limitations be declared unconstitutional, the Supreme Court upheld the 1948 Sugar Act.

The court's decision means that Congress can continue to tell Puerto Rico that she can only refine 126,033 tons of the 910,000 tons of the raw sugar the Sugar Act allows her to sell on the mainland. This means an annual loss to the Island of an estimated 4,000 jobs and $20,000,000 in income.

Although the Island's agricultural economy is based primarily on sugar, it can neither grow all the sugar it is capable of growing nor refine more than 15% of what it is allowed to grow, because of the Sugar Act of 1948.

This law divides up the U. S. sugar bowl. It tells Puerto Rico, Cuba, Hawaii, the Philippines, Louisiana, Florida, and the mainland sugarbeet growers just what portion of the bowl each can fill.

Only Puerto Rico and Cuba have consistently met their quotas. They have been called upon since the war to fill the quota deficits of the other areas.

During 1949 Puerto Rico harvested a crop of 1,277,000 tons. Deficits in Hawaii and on the mainland permitted the Island to sell here all but 90,000 tons of her 1949 crop.

But the Agriculture Department, charged with administering the Sugar Act, expects no big domestic deficits this year. (Philippine deficits go to Cuba, under the Act.) The Department was therefore prepared to tell Puerto Rico to harvest only some 1,100,000 tons of her potential 1,250,000 ton crop this year.

In order to get rid of the prospective surplus with a minimum shock to the insular economy, the growers, millers and workers agreed to share the reduced profit of selling 220,000 tons to the ECA at world prices.

The Island got roughly $2,640,-000 less for its sale to ECA than it would for the same sale on the U. S. market.

The Sugar Producers' Association estimated that Puerto Rican growers and millers would absorb $960,000 and $880,000 respectively in smaller profits, while the workers would absorb the other $800,-000 in lower wages.

A 1950 Puerto Rican sugar crisis has been solved. But each year will bring the Island new sugar problems until it is allowed to grow more nearly the amount of sugar it is able to grow, and is permitted to refine all of it.

Offering Puerto Rico Refunding Bonds

Ira Haupt & Co., 111 Broadway, New York City, headed a group which is offering $1,895,000 various Puerto Rico Municipalities refunding 3% bonds maturing serially July 1, 1950-69, inclusive, at prices ranging from 0.75% to 2.70%, according to maturity. The group was awarded the bonds March 15.

Associated in the offering with Ira Haupt & Co. are Banco de Ponce of Ponce, Puerto Rico; Paul Frederick & Co.; F. Brittain Kennedy & Co. and Seasongood & Mayer.

Continued from first page

Survey of Puerto Rico's Financial Position

Puerto Rican economy. What has transpired? What is the picture today? Why is Puerto Rico again in the money market? What is the future of those investments?

During the first three decades of American development in Puerto Rico approximately $120,000,000 flowed into the island and was invested in the development of commercialized agriculture and, to a lesser extent, in the promotion of manufacturing. This period is marked by the wide development of the sugar industry. The agricultural wealth of the island was developed. The Insular Government embarked during this period on an extensive program of public works and some $50,000,000 were spent on the development of roads, municipal utilities, school houses, irrigation, and power plants—the foundations for economic expansion. Big sugar mills, railroads, tobacco factories and new lands were put under cultivation, and banking and other credit facilities were expanded substantially.

The economic and social pattern of Puerto Rico was affected profoundly by the investment of mainland capital. The island's total output and social income were greatly increased. In spite of the roads, new forms of employment and tremendous increase in production and in exports, the income per capita and the standard of living, as measured by American standards, remained low as a result of the rapid growth of population.

The period after 1928 and until 1939 in the development of the island, is marked by unemployment, a reduction in production and a contraction of income. Puerto Rico was hit with the same impact as the mainland by the forces of the depression. The value of exports fell heavily from over $100,000,000 to $75,000,000 in the years 1932-33, and as a consequence the island suffered a substantial curtailment in income. Thus Puerto Rico wound up the years known as the 30s.

Program of Economic Development

In the late 30s Luis Munoz Marin, the present Governor of the island, founded the Popular Democratic Party and with a program directed principally at economic reform, launched the electoral campaign of 1940, appealing directly to labor and the middle class for support. In the elections of 1940 the Popular Democratic Party under the vigorous leadership of Munoz Marin, to the surprise of Puerto Rico, won the elections and immediately began putting into effect a program directed at the improvement of the welfare of the masses. This included land reform, the development and diversification of agriculture and industrialization, the development of power. Agencies and corporations were created to lay the foundations for economic expansion, and to improve the public services and facilities of the economy.

The Land Authority of Puerto Rico was created to carry out the land reform program. The Puerto Rico Agricultural Development Co. was established to design and develop new commercial crops, and to develop new techniques and technology in agriculture. The Puerto Rico Water Resources Authority was created to expand electric power. The Puerto Rico Aqueduct and Sewer Authority was created in order to consolidate the municipal systems into one efficient organization. The Industrial Development Co. was

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Low-Cost Housing Project

SECTION of $25,000,000 low-cost housing project in San Juan suburbs, built by a mainland operator with FHA financing. Five thousand homes to sell at an average of $5,000 each have been constructed. Puerto Rican Government funds have built an additional 7,500 housing units costing over $35,000,000.

Modern Roads Facilitate Transportation

QUICK transportation is an indispensable requirement in the 20th Century. Pictured above is a stretch of the highway between San Juan and Ponce.

World's Most Modern Chinaware Factory

PICTURED above is a general view of the Crane China plant in a section where the glazed china is checked over. Here workers removed the burrs created by the "stilts" used to suspend the pieces during the baking and glazing process. The new $1,500,000 facility, the world's most modern chinaware factory, has hundreds of employees and can produce 25,000 dozen pieces weekly. Site of the factory is Vega Baja, Puerto, Rico.

Continued from page 21

Survey of Puerto Rico's Financial Position

established in order to foster the establishment of new industries, and the Transportation and Communications Authorities were established in order to improve their respective community services. The Government Development Bank was established in order to furnish long-term capital for economic development and to act as Fiscal Agent of the Insular Government.

Large scale low cost housing has been undertaken, and education and health services have been greatly expanded. In short, the Puerto Rican people, in the last part of the first half of the century, have approached their problems with tremendous energy, imagination and maturity conforming to the American tradition.

Government Surpluses Accumulated During War

The program carried on by the Government of Puerto Rico was made possible by the accumulation of surpluses during the war years. From the fiscal year 1941-42 to 1948-49, the total revenues of the government amounted to $713 million, of which $705 million were revenues as such and $8 million pertained to income received from bond issues.

Of this income, $424 million were used for operating expenditures during the period, plus $22 million used in a war emergency program, for a total of current expenditures of $446 million.

The difference, $267 million, represents a saving of the government, not used for current expenditures but conserved for investment in public works and economic expansion. This sum was disbursed as follows: $107 million were spent for public works, $16 million were invested in debt service, and $144 million invested in the government's public corporations.

The long-term financing operations of the Government of Puerto Rico for public works and the investment in Public Corporations for economic expansion has been done overwhelmingly with the island resources. Out of a total of $337 million of government appropriations and long-term financing, $277 million pertained to long-term domestic financing and appropriations and only approximately $60 million were obtained from the United States money market in the issuance and sale of bonds of public corporations.

People Have Taxed Themselves

The people of Puerto Rico have made a great effort by taxing themselves to finance the extensive program of development and public works initiated in 1941-42. The total recurrent revenues of the government increased from some $25 million to $92 million between 1930-40 and 1948-49, an increase of 3½ times, which compares to an increase in total insular net income of from some $228 million to approximately $650 million, or somewhat less than three times. In other words, the people of Puerto Rico have taxed themselves somewhat more than their increase in income.

How do the people of Puerto Rico invest their funds in operating expenditures of the government? Out of $93 million of appropriations in 1948 to cover the operating expenses of the government some $27 million, or almost 37% of the total, was spent for education and $17 million, equivalent to 23% of the total, was spent for health service. Therefore, 70% of the total operating budget is spent on education and on the improvement and maintenance of the health of the people.

The improvement in government services has resulted in increasing by 25% the number of children of school age attending school; registration at the University has been increased two fold; the mortality rate has been decreased 33⅓%, and life expectancy has been lengthened from 46 to 57 years. The police force was increased twice; 41 fire stations were built throughout the island; municipal rural road mileage under conservation was more than doubled, and vast programs of soil conservation and agricultural scientific experimentation were undertaken.

Wise Government Expenditures

There cannot be any question about the fact that Puerto Rico not only has conserved its credit and cash resources but it has been spent wisely in current operations, and a considerable part of the resources have been invested in agencies designed to foster economic development. Puerto Rico has made very judicious use of its revenues and has conserved its credit. In times generally characterized by heavy borrowing and lavish spending, Puerto Rico embarked on a wide and far-reaching program of development backed by wisdom. Not only was money soundly invested, but debt was reduced and surpluses were saved.

The effort is not stopping there. Although Puerto Rico has attained a standard of living and a standard of social economic development that surpasses in general all Latin American countries excepting the Argentine, Chile and Uruguay (countries with many times the resources of the island) these two million Americans who live on the island of Puerto Rico will not stop at the highest level of living of Latin America. Puerto Ricans are determined to obtain the levels of living of the mainland. To reach such an objective and to continue in their path of progress, the people of Puerto Rico with a splendid credit record of never having defaulted or being delinquent in their debt obligations, come again to the market to borrow funds to be invested in public works.

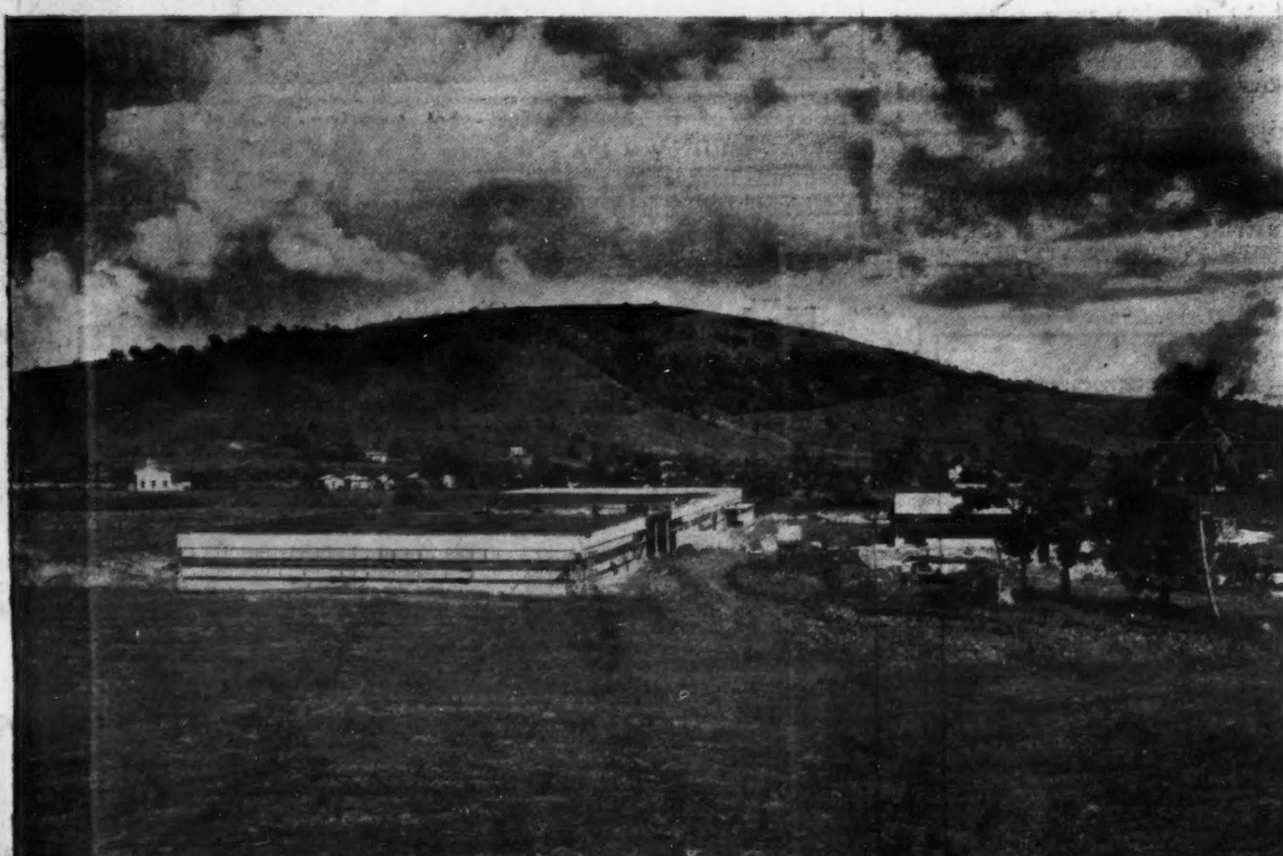
What is the financial situation of the island at present? What is the burden of the debt service?

The gross principal amount of all outstanding issues of securities of the Insular Government of Puerto Rico amounted to $12,716,000 as of Feb. 28, 1950. However, there was $5,169,995.61 in the redemption funds of these issues, thus leaving a net debt of only $7,546,004.39.

According to the Organization Act of Puerto Rico (Jones Act of the U. S. Congress of 1917) the Insular Government's legal debt limit is 10% of the assessed valuation of all taxable property in Puerto Rico. The total assessed valuation of such property was $458,219,713 on Jan. 1, 1950. The Insular Government, therefore, could float securities up to $45,800,000 at the present time. A scientific classification and reassessment project, with the technical advice of the Public Administration Service of Chicago, which will be completed soon is expected to increase the assessed valuation substantially. The last general assessment of property in Puerto Rico was made in 1917. A partial assessment was made in 1926.

Revenue receipts of the insular treasury for the last five years amounted to $382.4 million, or a

Another of Puerto Rico's Industrial Enterprises



THE Beacon Manufacturing Co. plant, shown above, is still another testimonial to Governor Luis Munoz-Marin's "Operation Bootstrap," the master plan of economic recovery that, in only a few years, has resulted in the establishment of more than 50 new industries in Puerto Rico.

Low-Income Housing Provided by Government

SOME of the $35,000,000 in low-income housing provided by the Puerto Rican Government is reflected in this picture. Families here are moving into a new block of apartments near San Juan. Thirty-seven other housing projects are under way in Ponce, Mayaguez, Caguas, Bayamon and other cities. Construction is being financed by loans from Public Housing Administration over 60-year period at 2.75% interest, and by subsidies up to 3% of cost of each development.

yearly average of $76.5 million. Thus the annual insular treasury revenue receipts are about ten times the net debt at the present time. The net income of the Puerto Rican economy was estimated at $650 million for the year 1948-49. The net debt now outstanding is, therefore, a little over 1% of the net income of the island. Although not strictly comparable, it might be worthwhile noting that the U. S. Government debt is 113% of the net income of the nation's economy. The net income of the U. S. was $223 billion is 1948-49, compared to $252.8 billion of public debt. The insular debt of Puerto Rico at the present time is, therefore, extremely low compared to the legal debt limit, the total revenue receipts of the insular treasury and to the net income of the island's economy.

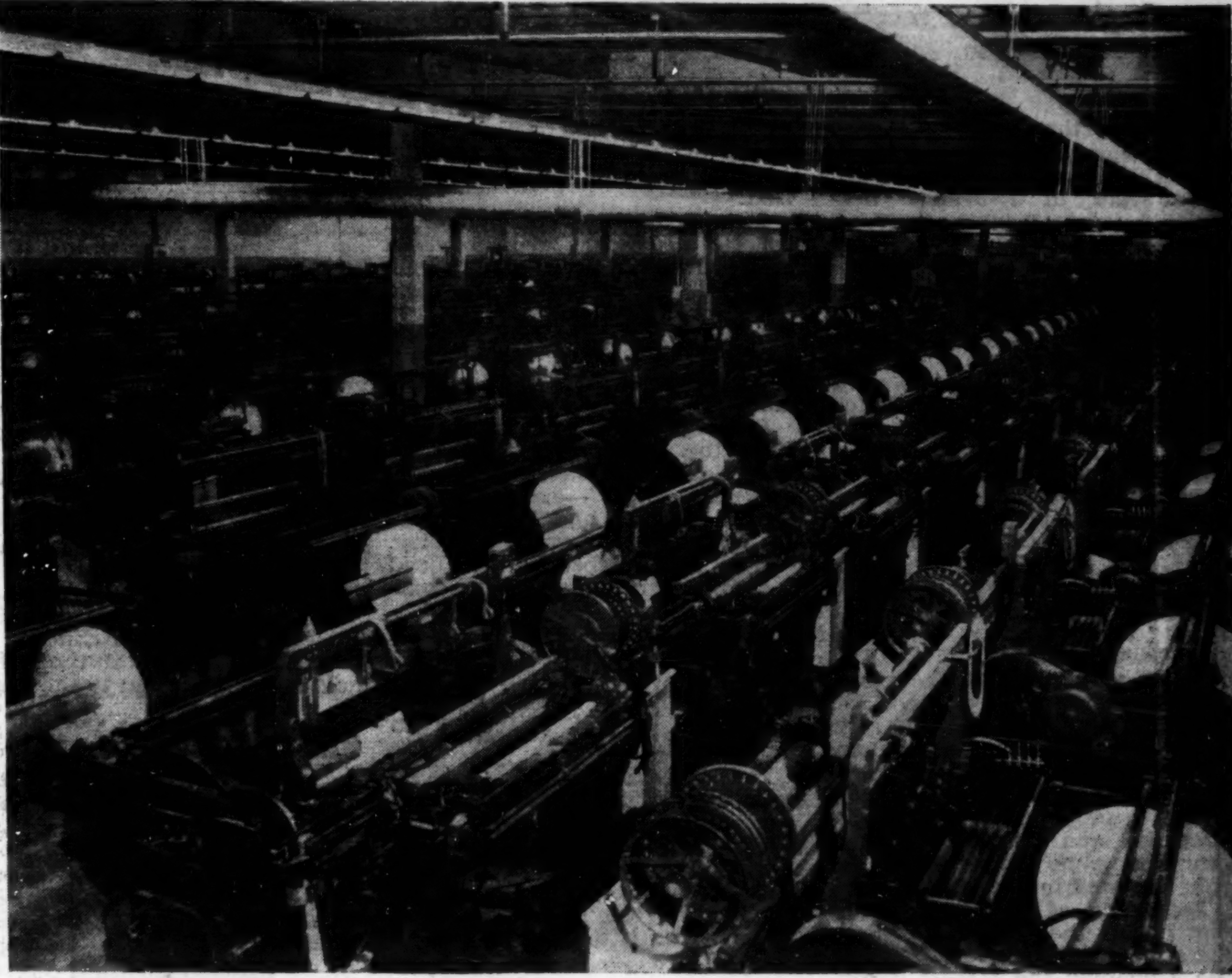
Low Insular Debt

The Insular Government is floating an $18 million issue. If this amount is added to the net debt now outstanding the public debt of Puerto Rico will be 5.7% of the assessed valuation of the property, annual revenue receipts will be three times the net public debt, and the public debt will only be 3.9% of the net income of the island's economy. What is more important, the estimated cost of servicing this debt will be only about 3½% of the annual revenue receipts.

Modern Construction Typifies Puerto Rico of 1950

THE recently completed Clinica Pereira, pictured above, illustrates the trend of modern building in Puerto Rico.

New Textron Plant Product Of "Operation Bootstrap"



THE NEW Textron plant at Ponce, Puerto Rico, pictured above, is illustrative of the achievements of "Operation Bootstrap," the master plan of economic recovery instituted several years ago by Luis Munoz-Marin, Puerto Rico's first elected Governor. To date the program has brought more than 50 new industries to the Island.

House Group Urges Full Social Security for Puerto Ricans

Ways and Means Subcommittee, after three-weeks survey, recommends full Social Security coverage for residents, thereby strengthening Island's economy.

After a three-week survey of living and working conditions in Puerto Rico, a special House Subcommittee in February urged full Federal Social Security for Puerto Ricans and Virgin Islanders.

The six-man Ways and Means Subcommittee, headed by Rep. A. Sidney Camp of Georgia, made seven specific recommendations to bring insular Social Security coverage in line with the States.

They estimated that their recommendations would extend coverage to 130,000 Puerto Ricans and 1,900 Virgin Islanders not covered by existing legislation.

The Camp Committee urged extension of aid to dependent children, aid to the blind, unemployment compensation, and aid to the aged in Puerto Rico and the Virgin Islands. "From the testimony submitted to your subcommittee," the report said, "it was clearly established that the people of both Puerto Rico and the Virgin Islands do desire to be brought within the Social Security system and that they are prepared and indeed willing to pay the same employment tax rate imposed in the Mainland."

Extension of the benefits recommended, the report said, would "strengthen the foundations of the economy" and correct its underlying lack of economic security for the majority of Puerto Ricans.

In recommending inclusion of Puerto Rico and the Virgin Islands in the present old-age and survivors' insurance program which for a large number of Americans provides a pension at 65, the committee said:

"It should be borne in mind also that these islands which purchase almost all of their goods from the Continental United States are already indirectly contributing to the Social Security system because of the higher prices charged for articles as a result of inclusion of Social Security taxes as a cost of production."

The committee recommended special provisions which would allow Puerto Ricans and Virgin Islanders to earn Old-Age and Survivors' Insurance credits though they make as little as $50 every three months. This limit is being raised to $100 on the mainland.

Raising the limit in Puerto Rico, the committee said, would make ineligible "substantial numbers of people"—especially domestic servants and home workers in the needle-work industry. "These are the people who need the protection the most," the committee said.

The committee estimated that these reforms would increase the Federal Government's annual Social Security bill for Puerto Rico from the present $3,100,000 to about $11,000,000.

The committee said that its recommendations aimed at giving benefits to as many Puerto Ricans as possible, but in such a way that the emphasis would shift gradually from outright assistance to benefits derived from the workers' own constributions.

It said it wanted to avoid action which might "force people under Public Assistance for their Social Security protection."

The House last fall passed legislation to broaden Puerto Rico's participation in the Federal Social Security program. This was included in a bill for over-all expansion of Social Security.

Gerald Hughes Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Gerald J. Hughes has opened offices at 609 South Grand Avenue to engage in a securities business.

Caribe Hilton Hotel Located in San Juan

The new Caribe Hilton Hotel, situated at the crossroads of the Americas, San Juan, Puerto Rico, is expected to be the impetus for the commercial and tourist growth of the West Indian island. Since its opening in December, 1949, the Caribe Hilton has received capacity booking from 43 states and over a dozen foreign countries. The hotel has single and double rooms and suites ranging in daily price from $9 for single, $12 for double and $17 for suites, all on European plan. These rates remain the same throughout the year.

There are five restaurants in the hotel including a snack bar and soda fountain, and private dining rooms for banquets, business meetings and social functions. This $6,500,000 hotel was built by the Puerto Rico Industrial Development Co. and leased by the Hilton Hotel Corp. The architecture and interior decorating is of Puerto Rican style and considered superior to other first class hotels in Puerto Rico. Eastern Air Lines and Pan American Airlines offer 10 minutes for travel time from the San Juan airfield to the hotel.

James Merkel With Sweney Cartwright

James F. Merkel

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS OHIO — James F. Merkel has become associated with Sweney, Cartwright & Co., Huntington Bank Building. Mr. Merkel was formerly chief of the Ohio Division of Securities and prior thereto was an officer of Slayton & Co., Inc. and Fahey, Clark & Co.

Sherman Hoelscher Now With Kaiser & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Sherman Hoelscher has become associated with Kaiser & Co., Russ Building, members of the San Francisco Stock Exchange. Mr. Hoelscher was formerly a partner in Sherman Hoelscher & Co.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Edward M. McIntyre has been added to the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Alvin Stern is with Barrett Herrick & Co., Inc., 418 Locust Street.

Brush, Slocumb Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Geoffrey G. Ley has been added to the staff of Brush, Slocumb & Co., 1 Montgomery Street.

Public Utility Securities

By OWEN ELY

Outlook for Electric Utilities

Calvin Bullock in a recent issue of "Perspective" analyzed the outlook for the electric utilities, which we summarize as follows:

For the past 17 months the class A and B electric utilities have steadily reported aggregate gains in net income over the corresponding previous months. The highest gain was 25% recorded last July, which has now tapered off to 8% for November. For the 12 months ended Nov. 30, 1949, composite net income was $746 million compared with $670 million in 1948, $656 million in 1947, $650 million in 1946 (when savings from the omission of excess profits taxes were realized) and $545 million in 1945. In about five years, therefore, there was a gain of 38% in net income.

However, market interest in utility stocks did not really reawaken until the second half of 1949. This delay appeared to be due to the fact that the average investor did not realize until then that the majority of the state commissions had changed their regulatory policies, and were willing to grant necessary rate increases. The effects of these increases were foreseen at an earlier date by investment companies and fiduciary institutions, which were the principal buyers of utilities in the earlier stages of the recovery.

Another market factor was the large amount of holding company assets to be sold for cash or distributed, while at the same time the operating companies began raising large amounts of new equity capital. However, the SEC program of breaking up the holding companies is now well along toward completion.

"Most present-day holding companies," according to the study, "have become bankers for their operating properties, reversing the direction of the objectionable up-stream loans of the past. Therefore, it is not surprising that sophisticated investors have again been accumulating the better utility holding companies with strong capital structures because of the inherent advantages of geographical, industrial and agricultural diversification as well as the operating economies of large-scale operation with top-flight management."

The Calvin Bullock opinion is that favorable factors will continue to outweigh unfavorable influences, with respect to earnings trends over the near-term future. However, it is pointed out that full weight should be given to certain unfavorable factors, which calls for discriminatory selection and up-grading of utility holdings. The rate of acceleration in earnings now appears to be diminishing, and it is essential to seek out those companies which are still making the most favorable showing.

In selecting new and unseasoned securities which represent operating companies recently separated from holding company guidance and sponsorship, the caliber of the new management should be given considerable weight. This is reflected in the current showing made with respect to operating efficiency. "Where management is skillful," it is pointed out, "the trend [toward increasing kilowatt output and dollar revenue per unit of labor] continues, aided by large generating units, remote control, interconnections internally and with other properties, mechanization of accounting and carefully selected load building. . . . The great thermal efficiencies of the new generating units will have a profound effect on costs and operating ratios."

Possible savings of one-third in fuel are available, since the newest generators burn only eight-tenths of a pound of coal as against an average of 1.2 pounds for the industry and up to two pounds or more for obsolete units. Further savings are made by equipping plants to convert quickly from one kind of fuel to another, to take advantage of changing prices or availability. While little or no progress in fuel economy was made during the years 1942-48 (partially because of greater use of obsolete plants) gains have been rapid in 1949-50, and should continue with the addition of new generating plants.

The utilities' expansion program is expected to reach a peak this year. Some authorities are fearful that political pressure may induce some utilities to build up excess capacity, with a burden of high fixed charges, depreciation and local taxes which would prove burdensome in a period of severe depression. However, studies made by N. A. Lougee & Co., utility consultants and engineers, indicate that the danger of over-capacity should not be taken too seriously. The average electric utility is highly flexible, with a great range of profit between the lowest rate steps in heavy industrial sales and the residential rural and commercial rates. Good management can channel sales and promotional efforts towards using capacity most profitably. An alert management can also do much to stabilize earnings by installing fuel clauses and demand charges.

"Actually," the study concludes, "if the industry had not been subject for a long span of years to constant rate reductions, present earning power would have been far in excess of the allowable rate of return. This is illustrative of the dynamic growth of the industry coupled with economies arising from constant technical progress."

First Cleveland Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Joseph J. Hadar and Joseph P. O'Boyle have been added to the staff of First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

Joins Frank Knowlton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—Frank E. Keefe is now affiliated with Frank Knowlton & Co., Bank of America Building.

Joins Titus-Miller

(Special to THE FINANCIAL CHRONICLE)

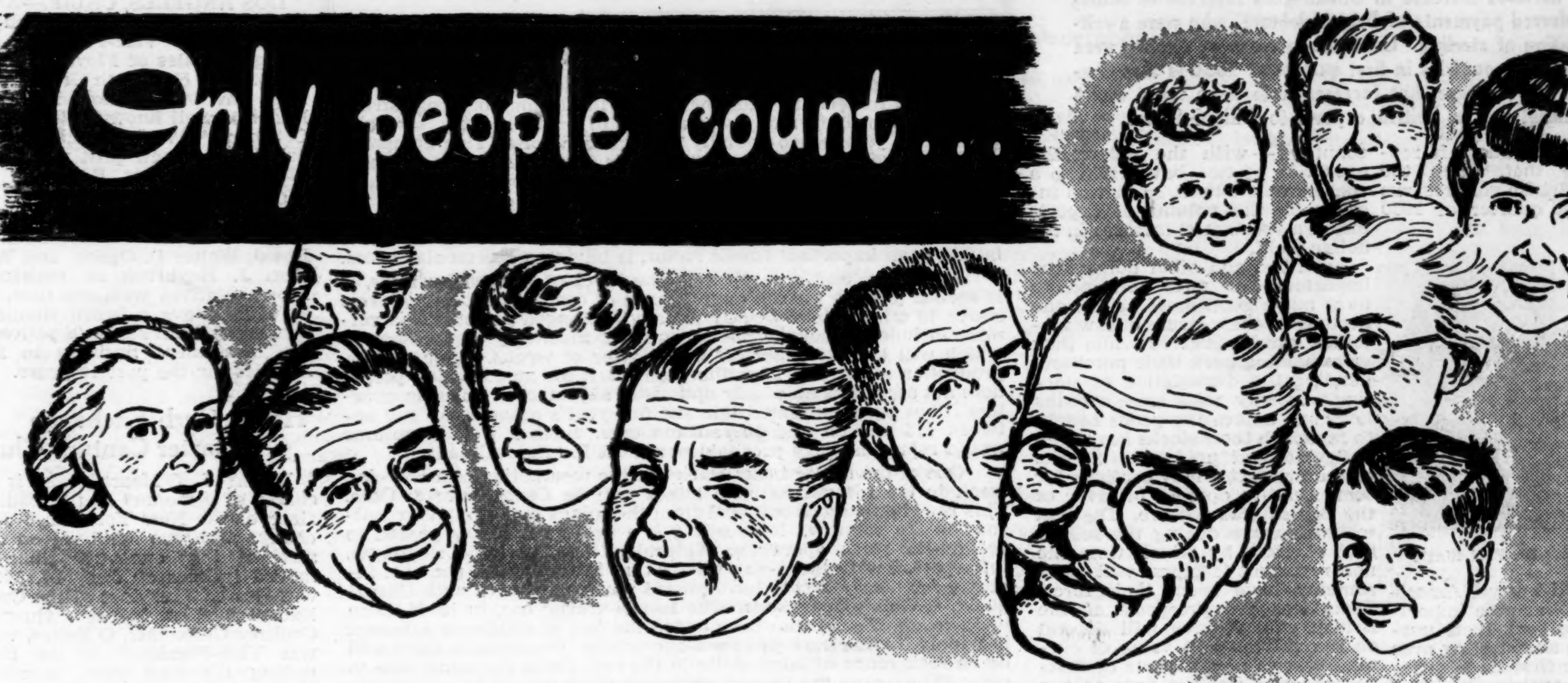
DETROIT, MICH. — Robert B. Mill is now with Titus-Miller & Company, Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Four With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Robert J. Belknap, John W. Bray, Hal A. Fausnaugh, and John L. Sandrene have become associated with Bache & Co., National City East Sixth Building.

Only people count...



THE figures that constitute the year-end statement of The Equitable Life Assurance Society may seem overwhelming at first glance . . . but they readily come alive when considered in terms of the human values they represent.

Simply stated, for more than 4,350,000 Americans, here is their hope of economic security; the financial foundation on which they can build for the future; the open door to better things in life. Thus, the figures you see on this page have more than statistical meaning—they project a picture of what life-insurance-dollars accomplish in promoting human welfare.

For instance . . . the $608,500,000 received in premiums by The Society during 1949 provided life insurance coverage of $14,115,700,000 in addition to annuities and accident and health protection. In 1949 payments to Equitable Society members and their beneficiaries totalled $335,000,000 of which $115,000,000 represented death claims, and $220,000,000 were payments, including dividends, to living policyholders. On the business side — from investments and insurance operations, The Society earned $142,700,000 of which $6,000,000 was set aside to strengthen reserves and $83,800,000 was allotted for policyholders' dividends.

At the same time, life insurance funds perform a double duty in the economic life of our nation. While they are providing protection, they are also financing homes, building factories, helping to improve railroads, participating in scores of industries—in short, contributing materially to the highest living standard known to mankind.

Look beyond the figures in this annual report and you will see life insurance in action on many levels. But remember, it is the *human level* which is of greatest concern to us . . . for after all, *only people count.*

Thomas I. Parkinson President

CONDENSED STATEMENT OF CONDITION

as of
December 31, 1949

Resources		Per Cent
***Bonds and Stocks**		
U. S. Government obligations	$ 776,988,507	(14.8)
Dominion of Canada obligations . .	270,576,208	(5.1)
Public utility bonds	671,974,696	(12.8)
Railroad obligations	480,003,566	(9.1)
Industrial obligations	1,633,663,952	(31.0)
Other bonds	158,635,069	(3.0)
Preferred and guaranteed stocks.	57,513,967	(1.1)
Common stocks	7,258,157	(0.1)
Mortgages and Real Estate		
Residential and business mortgages	657,176,355	(12.5)
Farm mortgages	122,447,952	(2.3)
Residential and business properties	7,442,392	(0.1)
Housing developments and other real estate purchased for investment	110,776,853	(2.1)
Home and branch office buildings	10,846,336	(0.2)
Other Assets		
Cash	92,604,234	(1.8)
Loans to policyholders	133,474,786	(2.5)
Premiums in process of collection.	38,085,589	(0.7)
Interest and rentals accrued and other assets	39,820,549	(0.8)
TOTAL	$5,269,289,168	(100)

Obligations		Per Cent
Policyholders' Funds		
To cover future payments under insurance and annuity contracts in force	$4,327,175,473	(82.2)
Held on deposit for policyholders and beneficiaries	306,424,344	(5.8)
Dividends and annuities left on deposit with The Society at interest	115,149,568	(2.2)
Policy claims in process of payment	23,935,298	(0.4)
Premiums paid in advance by policyholders	85,297,962	(1.6)
Dividends due and unpaid to policyholders	5,303,863	(0.1)
Allotted as dividends for distribution during 1950	68,400,541	(1.3)
Other Liabilities		
Taxes—federal, state and other . .	8,285,000	(0.2)
Expenses accrued, unearned interest and other obligations . . .	6,883,896	(0.1)
Surplus Funds		
To cover all contingencies	322,433,223	(6.1)
TOTAL	$5,269,289,168	(100)

*Including $4,711,208 on deposit with public authorities.

In accordance with requirements of law, all bonds subject to amortization are stated at their amortized value, and all other bonds and stocks are valued at the market quotations on December 31, 1949 as prescribed by the National Association of Insurance Commissioners.

For a more detailed statement of The Society's operations during 1949 write for a copy of the President's Report to the Board of Directors.

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

THOMAS I. PARKINSON · PRESIDENT

393 SEVENTH AVENUE • NEW YORK 1, NEW YORK

Britain's Increasing Gold Reserve

By PAUL EINZIG

Dr. Einzig ascribes increase in British gold reserves to settlement of deferred payments of British debtors, who were awaiting devaluation of sterling. Contends increase of sterling area exports to dollar countries in first quarter of 1950 is also contributing to the increase, but foresees little hope for a really substantial rise in British exports to United States.

LONDON, ENG.—There is reason to believe that, when the changes in the British gold reserve during the first quarter of 1950 will be announced at the beginning of April the figure will show a further satisfactory increase. This is not surprising. After all, it is bound to take some time before the non-recurrent factors set into motion by the devaluation of sterling have spent their force. As is well-known, American and other dollar area importers were holding back their purchases of British and sterling area goods during the first three quarters of 1949, in anticipation of a devaluation of sterling. And payment for such purchases as were made during that period was deferred as far as possible, in the hope of benefiting by a lower sterling-dollar rate. This, and not the unduly high prices in Britain and the sterling area, was the main cause of the aggravation of the gold position before Sept. 18 when the devaluation reversed the trend.

Dr. Paul Einzig

The first favorable effect of the devaluation was the settlement of outstanding sterling debts. The amounts overdue were paid as soon as possible after devaluation, the creditors pocketing the difference between the rate of $4.03 and $2.80. The amounts falling due at various dates after devaluation were paid off on maturity instead of seeking further postponements. It seems reasonable to assume that this factor more than any other was responsible for the sharp increase of the British gold reserve between Sept. 18 and Dec. 31, 1949. For we now know that the increase in the volume of British exports brought about by the devaluation did not add any gold to the reserve, for the increase was barely sufficient to make good the loss of dollars through the less favorable exchange rate. Nor is there any reason to suppose that the increase in the volume of sterling area exports to the dollar area before the end of 1949 contributed much to the gold reserve. For it is bound to take some months before goods bought in Malaya, Australia, or West Africa reach the Western Hemisphere and are paid for.

During the first quarter of 1950, the increase of sterling area exports to the dollar area has probably begun to make itself felt on a substantial scale. By that time most of the payments for goods delivered before devaluation must have been effected, but the decline of this factor in the British gold situation must have been largely offset by the increase of new exports. As far as it is possible to judge by the foreign trade statistics available, even now the increase in the volume of British exports is not sufficient to cause a material increase in their dollar yield. This is because British prices have not risen to any substantial extent, so that the proceeds of British exports have remained subject to the cut of dollar yield almost to the full extent of the 30% devaluation. On the other hand, raw materials produced by British Commonwealth countries — with the noteworthy exception of tin—have risen to a considerable extent, so that an increase in the volume of exports means a substantial increase in the dollar yield.

American and other dollar area importers are now believed to have made good more or less the declines in their stocks of raw materials which occurred while they were holding back their purchases pending the devaluation of sterling. It may take some months however, before the goods bought to replenish their stocks have been delivered and paid for. So the temporary factor may continue for some time to operate in favor of the British gold reserve. The real test will come during the second half of 1950, by which time the non-recurrent factors will presumably have spent their force. Thereafter the prospects of the British gold reserve will depend on the volume and value of current exports and imports of Britain and the sterling area to the dollar area. It is only then that we shall be in a position to judge whether there was any real economic justification for the devaluation. By that time prices in Britain will presumably have risen as a result of the devaluation. Even so, the British worker will have to pay longer hours to pay for the same quantity of goods imported from countries in relation to which sterling was devalued in September, 1949.

There seems to be little hope for a really substantial increase of British exports to the dollar area. Up to now the results of the Washington discussions arising from the September meeting have been disappointing. They did not seem to have contributed noticeably towards facilitating the export of British goods to the American market. Some improvement may be expected without undue optimism, but not enough to make a fundamental difference to the British gold position. The scope of establishing markets in the United States for British goods which do not compete with American goods seems to be limited, and American tourist traffic in Britain has also its natural limits. The only hope is an increase of the export of sterling area raw materials to the United States. Britain will have to look towards the countries of her Commonwealth to fill the dollar gap, in return for an increase of British exports to these countries. This was largely the position before the war, and the restoration of the prewar position is the only reasonable hope for achieving a more or less balanced trade between the sterling area and the dollar area.

It is because of this reason that there is much concern in Britain about the possibility of an expansion of American exports to the Commonwealth countries. The dollar import figures of some of the Dominions are anything but reassuring from this point of view. It is feared that a solution of the problem of wartime sterling balances through the United States assuming responsibility for part of the amount would result in a very considerable increase of American exports to the Commonwealth, and the definite establishment of markets for American goods. This would rule out the filling of the British dollar gap through triangular trading operations without which the British gold position would inevitably deteriorate after the cessation of Marshall aid.

Railroad Securities

Chesapeake & Ohio

The near-term outlook for railroad traffic and profits has brightened materially with the end of the bituminous coal strike. In the first full five-day work week in many months, soft coal production jumped to roundly 13.2 million tons. This compared with 10,682,000 tons a year earlier when the miners were also on a five-day week. Steel mills in the Pittsburgh area were scheduled to operate at 96.5% of capacity this week and operations in the Youngstown area are close to 100% of capacity. Automobile production was expected to be close to record levels this week. Home building, an important traffic factor, is having a spectacular boom.

Naturally, and regardless of the level of general business, it is useless to hope for the maintenance of coal production at levels above 13 million tons weekly for any prolonged period. This volume includes a substantial amount of inventory replenishment which will tend to taper off in a matter of weeks. Nevertheless, production above the 10 million-ton mark for an extended period does not appear as an overly optimistic expectation. In some quarters it has been estimated that the full year's output may run between 475 million and 500 million tons. Such a weekly volume would represent very profitable business for the railroads.

One of the major beneficiaries of the resumption of a five-day week in the bituminous coal mines will be Chesapeake & Ohio. This road hauls more soft coal from the mines than any other railroad in the country. Railroading is a volume industry geared to around-the-clock operation. Naturally, then, periodic stoppages, interspersed with three-day weeks, that have plagued the coal industry for nearly a year have played particular havoc with Chesapeake & Ohio's operations. The loss of traffic has, in itself, been bad enough. To this has been added the loss of efficiency inherent in widely fluctuating traffic and operations. Presumably there will be no recurrence of labor strife in the coal fields for some time to come. Thus, over the immediate future there should be a dramatic change for the better in Chesapeake & Ohio's fortunes.

In a recent speech before the New York Society of Security Analysts, Mr. Walter Tuohy, President of the C. & O., estimated that net income for the month of March might run as high as $3,500,000. This would compare with a net loss of $2,889,242 in the preceding month and net income of $698,459 realized in March, 1949. It would bring the first quarter net to roughly $800,000 or about 8 cents a share on the outstanding common stock. In the opening quarter last year the company had a net profit of $5,348,682, equivalent to $0.66 a share. The sharp earnings comeback anticipated in March is particularly noteworthy when it is considered that the mines were not open the full month.

Despite the poor start to which the company got off this year Mr. Tuohy stated that earnings for the full year 1950 should reach approximately $3 a share. Presumably this is based on the assumption that there will be no major work stoppages affecting large industrial users of bituminous coal. At least in the case of steel, which is the largest consumer of soft coal, this assumption appears fully justified. Earnings of $3 would compare with $1.36 a share reported last year and $3.72 realized in 1948. Last year's figures were after a charge of $2,200,000, amounting to $0.28 a share, as a reserve for prior years' taxes and contingencies.

Improvement in the road's earnings picture has focused interest on the dividend possibilities. Nothing has been paid on the shares since last Oct. 1 when a regular quarterly dividend of $0.75 a share was distributed. No action was taken in February, which would have been the normal declaration date under the new schedule announced last year. It is probable that the matter will not come up until the May meeting but at that time it is generally expected that favorable action will be taken. With the prospect of earnings of as much as $3 in 1950 it is fairly widely felt among railroad analysts that a $0.50 quarterly would be justified at that time.

Dinner in Honor Of Edward Werle

The members of the New York Curb Exchange were hosts March 21st at a dinner tendered to Edward C. Werle, retiring Chairman of the Curb Board of Governors, at the Rainbow Room in Rockefeller Center. Mr. Werle, a partner in the firm of Johnson & Wood, recently completed his third consecutive term as Board Chairman and his fifth year as a Curb governor. His career in Wall Street began in 1919 when he became a page boy on the floor of the Stock Exchange.

Among the guests were Robert P. Boylan, Chairman of the Stock Exchange Board, Francis Adams Truslow, President, and Mortimer Landsberg, Brickman, Landsberg & Co., Chairman of the Curb Exchange, Commissioners Donald C. Cook, Edward T. McCormick, Richard B. McEntire and Paul R. Rowan of the SEC, Benjamin H. Griswold, III, Alex. Brown & Sons, Baltimore, President of the Association of Stock Exchange Firms, Albert T. Armitage, Coffin & Burr, Inc., Boston, President of the Investment Bankers Association, and Francis Kernan, a Governor of the National Association of Securities Dealers.

Jack Feinstein, a regular member of the Curb Exchange, was Chairman of the dinner committee.

With Johnson-McKendrick

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — Dorothy S. Eldridge has joined the staff of Johnson-McKendrick Co., Syndicate Building.

J. C. Warren Corp.

BELLMORE, N. Y.—J. C. Warren Corporation is engaging in a securities business from offices at 901 Merrick Road.

James A. Maguire Dead

James A. Maguire, James A. Maguire & Co., New York City, died recently.

Winthrop Mandell Dead

Winthrop Allen Mandell died of a heart attack March 18 at the age of 60. He was formerly associated with the Tax Foundation, Inc. of New York and was a former assistant to the president of the New York Curb Exchange.

James Keene V.-P. Of Floyd Allen Co.

LOS ANGELES, CALIF.—Association of James A. Keene and his election as Vice-President in charge of sales of Floyd A. Allen & Co., Inc., 650 South Grand Avenue, has been announced. Mr. Keene is well known in Southern California investment circles and prior to his new post was Sales Manager of Gross, Rogers & Co.

Coincident with this was the announcement of the association of Michael J. Flannery, John J. Dowd, Walter D. Ogden and William J. Heybrook as registered representatives with the firm, all of whom have a broad financial background having been active in the investment business in Los Angeles for the past 10 years.

Heads Curb Exchange Quarter Century Club

Edwin J. O'Meara, who is in charge of personnel on the trading floor of the New York Curb Exchange and who has been on the staff of that exchange since it moved indoors on June 27, 1921, was elected President of the Curb Exchange Employees' Quarter Century Club. Mr. O'Meara, who was Vice-President of the club during the past year, succeeds Martin J. Keena.

Christopher Hengeveld, Jr., Vice-President and Treasurer of the Curb Exchange was named Vice-President of the club succeeding Mr. O'Meara. Third ranking employee of the exchange in terms of service, Mr. Hengeveld became associated with the Curb on March 14, 1920. He had served several terms as Secretary-Treasurer of the club.

Joseph R. Mayer, Assistant Treasurer of the Curb Exchange, was elected Secretary-Treasurer of the club succeeding Mr. Hengeveld. Mr. Mayer joined the exchange in November, 1924, and has been in the office of the Treasurer ever since with the exception of two years of service with the United States Army during the recent war.

Mr. O'Meara joined the Curb Exchange as a reporter the day it moved indoors from Broad Street in 1921, after having spent some eight years on the outdoor Curb Market as a telephone and signal clerk for the firm of Walters and Birdsall. In 1923 he was made Assistant Chief Reporter and in 1936 became Floor Assistant to the Exchange Floor Committee.

Dion, Rogers V.-Ps. Of Gross, Rogers

LOS ANGELES, CALIF. — J. Ellis Dion and Jack B. Rogers have been elected vice-presidents of Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

Manley, Bennett & Co. To Admit Two to Firm

DETROIT MICH.—Frederick J. Zoellin and Donald I. Creech will be admitted to partnership in Manley, Bennett & Co., Buhl Building, members of the Detroit and Midwest Stock Exchanges, on April 1. Mr. Zoellin in the past was with Baker, Weeks & Harden; Mr. Creech was with Goodbody & Co.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Henry J. Bauman and Lenhart C. Baumgartner are with King Merritt & Co., Inc., Pence Building.

SOUTHERN RAILWAY COMPANY

Fifty-Sixth Annual Report for the Year Ended December 31, 1949

Richmond, Va., March 21, 1950.

To the Stockholders of
SOUTHERN RAILWAY COMPANY:

The Board of Directors submits the following report of the affairs of the Company for the year ended December 31, 1949, which is the annual report it is contemplated formally to present to the stockholders of the Company at the annual meeting due to be held on May 16, 1950.

Foreword

The year 1949, in its broadest sense, was a year of severe contraction of revenues and of continuance of the inflationary rises in the bases of expense.

Following the near record gross revenues of $245,013,413 received in 1948, the Company's gross for the year just closed declined to $212,771,708. This severe drop was occasioned by a serious recession in industrial activity in Southern territory during the first half of the year 1949, the textile and furniture industries and the production of coal being particularly hard hit, while during the second half of the year there were constant interruptions in the business of the entire country, attributable to strikes in the basic industries.

On the expense side, the Company continued to be beset by the continually rising cost of doing business, including conspicuously the inauguration in the railroad industry, effective September 1, 1949, of the 40-hour week for nonoperating employees.

Despite these handicaps, beyond the control of management, the year's operations were conducted with efficiency and with a resulting net income (after taxes and all charges), sharply reduced, however, from the extraordinary peacetime net earnings of the year 1948.

How and why this result was attained will follow in the year's story.

I.
The Year 1949

Operating Statistics

The Revenue from Operation of the railroad in 1949 amounted to $212,771,708, being a decrease of $32,241,705, or 13.16%, under the Operating Revenues in 1948 of $245,013,413 (which latter were the largest peace-time gross revenues in the Company's experience).

The volume of business handled and the receipts therefrom, compared with the previous year, were:

	1949	1948
Freight moved (tons)	52,917,266	65,945,658
Average distance moved (miles)	215.13	209.09
Ton miles	11,384,053,718	13,788,904,961
Average revenue per ton mile	1.569¢	1.503¢
Total freight revenue	$178,569,622	$207,256,592
Number of passengers	3,898,036	4,723,038
Average journey (miles)	177.20	173.38
Passenger miles	690,716,630	818,891,518
Average revenue per passenger mile	2.600¢	2.550¢
Total passenger revenue	$17,960,923	$20,877,905

As will be seen from the above table, the *volume* of business (tons moved one mile, and passengers moved one mile) sharply declined from the previous year, denoting the contraction in general business in the territory. To these decreases in volume, there is attributable the decrease of $28,386,970 in Freight Revenue (despite increases in freight rates, effective January 11 and September 1, 1949) and the decrease in Passenger Revenue of $2,916,982.

Total Operating Expenses for the year amounted to $166,438,603, as compared with $184,606,916 for 1948, a *decrease* of 9.84%, despite severe increases in certain categories of the cost of labor and material.

Railway Tax Accruals (on account of the smaller amount of taxable income) decreased, the total for the year 1949 amounting to $22,149,598, as compared with $27,721,768 for 1948, a decrease of 20.10%. The Company's contribution to "Government" was, thus, more than 10¢ out of each dollar of gross revenue, and the Company's taxes were almost double the Company's entire Net Income (after taxes) for the year.

Net Railway Operating Income, what is left out of the Company's Gross Revenue after deducting Operating Expenses, Taxes, and Equipment and Joint Facility Rents, amounted for the year 1949 to $21,863,820, as compared with the similar figure for 1948 of $29,148,740, a decrease of $7,284,920.

The comparative ratios of the several categories of Operating Expenses, Taxes and Equipment and Joint Facility Rents, expressed in the number of cents out of each dollar of revenue, were as follows:

	1949	1948
Transportation	38.35¢	38.64¢
Maintenance of Way	14.38¢	13.50¢
Maintenance of Equipment	19.17¢	17.62¢
Traffic Expense	1.99¢	1.72¢
General Expense	3.34¢	2.97¢
Incidental Expense	0.99¢	0.90¢
Totals	78.22¢	75.35¢
Taxes	10.41¢	11.31¢
Equipment and Joint Facility Rents	1.09¢	1.44¢
Grand Totals	89.72¢	88.10¢

After Operating Expenses, Taxes, and Equipment and Joint Facility Rents, there was left for fixed charges and other corporate needs and for the owners, 10.28¢ out of each dollar of 1949 revenue, as compared with 11.90¢ in 1948.

Net Income

Net Income (after taxes and charges) for 1949 amounted to $11,914,308, as compared with $19,248,065 for 1948.

Fixed charges were covered 1.91 times in 1949, as compared with 2.51 times in 1948.

After dividends of 5% on the Preferred Stock, the balance of Net Income in 1949 was equivalent to $6.86 per share on the Common Stock, as compared with $12.51 per share in 1948.

Dividends

Dividends of 5% on the Preferred Stock were continued, and there was paid on the Common Stock, out of the surplus net earnings for the year 1948, an aggregate of $4.00 per share, at the rate of $1.00 per share quarterly in March, June, September and December, 1949.

A dividend of $0.75 per share on the Common has been paid for the first quarter of 1950, out of the surplus net earnings for the year 1949.

Operations

The property was operated efficiently, was well maintained during the year, and at the close of the period was in excellent condition.

The rising trend of prices of materials climaxed with the end of 1948, but effective September 1, 1949, there was imposed the added cost of the 40-hour week restricted to non-operating employees.

The operating keynote for 1949 was an over-all cost reduction with a betterment of service and without an impairment of maintenance; thus further mechanization and great progress in Dieselization were a part of the year's accomplishments.

It is interesting to compare 1949 operations with those of the first post-war year of 1946.

In 1946 the Company had Gross Revenue of $212,041,109, while 1949 produced approximately the same amount of Gross, $212,771,708. Since Operations must be accommodated to traffic volume, a statement of the factors contributing to Gross for each year helps to high-light the comparative control of expenses in the two periods.

The contribution to Gross in 1949 from increases in rates and charges granted after 1946 amounted to approximately $58,000,000.

Of significance is the fact that for 1946, Passenger Service Revenue yielded over allocated Passenger Service Expenses, net revenue of over $4,500,000, whereas for 1949, with an allocation of Expenses on the same formula as for 1946, Passenger Service Revenue failed by $11,600,000 to pay the cost of passenger service.

As between 1946 and 1949, freight traffic volume decreased 21% while passenger decreased 55%. Giving effect to these decreases, had the Company's cost of operation been at the same material prices and at the same wage level for 1943 as prevailed in 1949, Operating Expenses for 1946 would have been nearly $16,000,000 more.

The control of expenses in 1949 is demonstrated by the fact that increased material prices and labor costs alone, 1949 over 1946, would have raised the Company's operating expenses by $48,800,000. The latter named amount, however, was reduced by approximately $21,000,000 due to increased use of diesel power, mechanical devices and efficient operating practices.

The saving in cost of operations in 1949 was not at the expense of Maintenance of Way, Structures and Equipment. These expenditures, by reason of the efficiency in application of materials and the increasing use of mechanical devices, resulted in the continuation of high maintenance standards.

The overcoming of less traffic volume as between the two years while continuing to maintain the property with increasing efficiency, is attributable specifically to (a) increasingly better methods of operation, (b) the progress in mechanization made possible by continued capital improvements, (c) the purchase of new freight train cars, and, (d) conspicuously, from the increasing use of Diesel-electric locomotives.

The net debit for Equipment and Joint Facility Rents decreased from $4,447,039 in 1946 to $2,319,686 in 1949, a saving of approximately $2,127,000, attributable largely to the purchase of new freight cars.

While Traffic and General Expenses together with Taxes precede Net Railway Operating Income, for comparison only, that result for 1949 was $21,863,820, as compared with $19,311,146 for 1946.

Finally, comparing the results of the two years, 1949 and 1946, the Company was enabled to earn a Net Income, after charges, in 1949 of $11,914,308, which after Preferred Dividends was equivalent to $6.86 per share on its Common Stock, compared with $9,252,270 or $4.81 per share in 1946.

The management continued its program of more efficient application of materials, the accelerated use of labor saving devices, the discontinuance of unprofitable passenger service, and the further improvement of the property through capital expenditures, which latter on the average were estimated to, and are proving that they will, effect savings of at least 25% a year on their cost.

The benefit from having put into the property during the past 10 years nearly $182,000,000 of capital improvements was a reduction in the Cost of Transportation (which is the relationship of Transportation Expenses to Operating Revenues) for the year 1949 to 38.35¢. The corresponding result for 1948 was 38.64¢.

Again to compare 1948 and 1949, the Operating Ratio (which is the proportion of total Operating Revenues consumed by Operating Expenses, expressed in cents out of the dollar) increased, of course, because of the drastic drop in revenue, from 75.35¢ in 1948, to 78.22¢ in 1949.

However, during the latter part of 1949, with the increasing deliveries of Diesel locomotives, the Operating Ratio (which for the entire year was 78.22¢, as just stated) began to drop sharply.

Dieselization

Continued progress was made in the Company's program of Dieselization.

As of January 1, 1950, there were in operation by Southern Railway System Companies, including subsidiaries, 537 Diesel-electric locomotive units. Diesel locomotives used in freight service, while constituting but 24.46% of the System's total freight locomotives in service, were at the end of 1949 handling approximately 75.00% of the System's gross ton miles. The System's passenger Diesels represented at the year end only 30.46% of the units of passenger power in service, but these were handling approximately 76.75% of the System's passenger car miles.

Including the 537 units just referred to and 63 units on order for System Companies as of January 1, 1950 (delivery of the bulk of which is expected during the first quarter of 1950), Southern Railway System will have acquired an aggregate of 603 units of this modern and efficient power (with an aggregate of 811,740 horsepower) at a total aggregate cost of approximately $80,000,000. Adding to this figure the cost of Diesel facilities for servicing and handling this new power, Southern System has thus within the past few years authorized the expenditure of sums in the aggregate approximating $100,000,000 for Dieselization and the improvements and changes made necessary thereby, the largest single category of expenditure ever made in Southern System's history.

Wage and Freight Rate Increases

As referred to in last year's report, pursuant to an award of an Emergency Board created by the President of the United States, a 40-hour work week became effective for non-operating employees on September 1, 1949. Immediate steps, including the closing of offices and agencies on Saturday and other radically changed procedures, were taken to minimize the cost of this revolutionary step in railroad operation.

Demands by other groups of organized employees are pending.

In partial offset to the increased cost of doing business, the Interstate Commerce Commission, in *Ex Parte* 168, awarded increases in freight rates, being approximately 5.50%, effective January 11, 1949, and 3.50%, effective September 1, 1949.

Continued but very slow progress has been made in obtaining corresponding increases in intrastate freight rates before the various State Commissions.

New Rail

During 1949 there were laid 17,612 tons of new rail, as compared with 27,204 tons laid in 1948; and orders for 1950 have been placed for 25,000 tons.

There was announced during December 1949 an increase in the price of new rail, bringing the cost of this essential material to an all-time new high figure of $76.16 per gross ton, f.o.b. mills.

New Equipment

During 1949 there were delivered and put into service (a) 136 units of Diesel power (including the 36 units in the complement financed in 1948 referred to in last year's report and which were actually delivered in January 1949), and (b) 74 new streamlined passenger cars, out of the 88 thereof ordered in the year 1946.

The additional 100 units of Diesel power just referred to were included in Southern Railway Equipment Trust, Series "QQ," to the extent of approximately 75% of their cost, such Equipment Trust Certificates having been issued as of April 1, 1949, in the par value of $11,850,000, with a 2⅜% coupon, and which were sold under competitive bidding on an interest cost basis to the Company of approximately 2.52%.

Approximately 75% of the $10,000,000 estimated cost of the 88 new streamlined passenger cars was financed by the issuance and sale of $7,500,000 par value of Equipment Trust Certificates issued under Southern Railway Equipment Trust, Series "RR," these certificates having been issued as of June 15, 1949, with a 2½% coupon, and sold under competitive bidding, on an interest cost basis to the Company of 2.53%.

As of December 31, 1949, as stated above, 74 of the new streamlined passenger cars had been delivered. Delivery of the remaining 14 cars is expected during the first half of the year 1950.

As of January 1, 1950, the outstanding balance of the Company's Equipment Trust obligations amounted to $58,155,880.

It is not contemplated that the Company will purchase additional new equipment for the time being.

As of January 1, 1950, certain of the Company's system affiliates, as stated on page 8 (pamphlet report), *supra*, had on order 66 units of Diesel-electric power.

Use in 1949 of the Company's Financial Resources

In a year such as 1949, with sharply contracting revenues and with commitments maturing for new equipment ordered in prior years when cash was more ample, the Company's working capital at the end of the year showed a substantial decrease under the year before.

After paying its running expenses, taxes payable during the year and fixed charges, the Company used part of its accumulated cash, as to larger items only, as follows:

SOUTHERN RAILWAY (Continued)

(1) Expended for capital improvements to the property, $8,419,813 for Road and Structures, and $18,398,553 for Equipment, an aggregate of $26,818,366 for the year (the largest amount in the Company's experience), as compared with $21,910,464 so expended in 1948, being an increase in the year 1949, when revenues were shrinking, of over $4,900,000, as compared with the previous year.

(2) Expended $1,500,750 in acquiring on April 1, 1949, the Atlantic and Yadkin Railway Company's 4% Bonds, guaranteed by Southern Railway Company, the property of the former being acquired by the Company, effective January 1, 1950.

(3) Paid July 29, 1949, the sum of $3,000,000 in settlement of its obligations under the expired Lease of the property of The Atlantic and Danville Railway Company, which company, as of August 1, 1949, assumed the independent operation of its line, thus relieving Southern of fixed charges theretofore payable with reference to that property, which were approximating $305,000 annually, together with large continuing operating losses.

(4) Paid dividends aggregating $8,192,800, being an increase of $973,650 over the corresponding dividend payments of 1948.

(5) Expended $323,167 in the acquisition for cancellation of $347,000 principal amount of the Company's Development and General Mortgage Bonds; and

Had left on December 31, 1949: (a) Investments in United States securities in the principal amount of $28,042,000, which was set aside in reserve for acquisition of debt or reduction of maturing obligations, subject to further order of the Board of Directors, and (b) cash of $16,782,874, as shown in the balance sheet (the latter being reducible by items which were not cleared through the banks as of the close of business for the year).

Funded Debt and Fixed Charges

The table of funded debt at the end of 1949 showed the following comparison with 1948:

	Dec. 31, 1949	Dec. 31, 1948
Funded Debt	$194,303,500	$194,650,500
Leasehold Estates	[illegible]4,959,600[1]	52,589,600[2]
Equipment Trust Obligations	58,155,880	47,449,320
Totals	$297,418,980	$294,689,420

[1] Includes $9,415,000 of Bonds acquired by the Company or its subsidiaries since January 1, 1940.

[2] Includes $9,247,000 of Bonds acquired by the Company or its subsidiaries since January 1, 1940.

The Company's net fixed charges, on an annual basis, as defined by the Interstate Commerce Commission, less income from securities of its leasehold estates owned by the Company, were approximately $12,308,000 at December 31, 1949.

It is interesting to note that ten years ago, in 1939, the Company's net fixed charges were approximately $16,500,000 annually, *and amounted to approximately 17% of the gross revenues of $99,154,000 for that year, 1939.*

The net fixed charges just mentioned as at December 31, 1949, 10 years later, and themselves reduced by 25%, represented *only approximately 6% of the 1949 gross revenues of $212,772,000.*

The intrinsic reduction of over $4,000,000 a year in the fixed charges payable, as compared with 10 years ago, is gratifying; the reduction in the *proportion* of gross revenues required to pay the fixed charges, from 17% 10 years ago, to 6% of the current gross, makes the future burden easier.

The Refunding of the St. Louis Division Bonds

The Company plans to effect during 1950 (as approved by the Stockholders in 1949) the refunding, after curtailment, of its St. Louis Division First Mortgage 4% Bonds, due January 1, 1951, now outstanding in the principal amount of $12,474,000, which issue constitutes the only maturity, aside from installments of equipment obligations, during the year.

Federal Tax Liability for Past Years

As stated in the annual report for 1948, the Company's federal income and excess profits tax returns for the years 1941-1946, for which years $173,878,308 in taxes were paid, have been in process of audit by representatives of the Bureau of Internal Revenue. The revenue agent's report has now been completed. The Government's present position, as indicated by the report, involves a claim for additional taxes equivalent to approximately 14% of the tax already paid. Until opportunities for answer, discussion with the Bureau, and possible review by the courts have been exhausted, it is not possible to state what the final assessment of additional tax, if any, will be.

The "Reparation" Cases

In June, 1946, the Department of Justice commenced the filing of a series of complaints before the Interstate Commerce Commission assailing, on behalf of the United States, the reasonableness of freight charges paid by the Government during World War II. Fifteen such complaints to which this Company is a party defendant have been filed, the last of which was filed February 26, 1948. Together, the complaints constitute a broad attack on the railroad rates charged the Government during the stated period. Reparation in large amounts is sought—estimates of the Government ranging from two to three billion dollars from the railroads of the country as a whole. It is impossible at this time to estimate the amount this Company has involved under these estimates made by the Department of Justice representatives. All of these proceedings are being vigorously contested, and are believed to be wholly without merit.

Divisions

In December, 1947, the Interstate Commerce Commission decided to reexamine the propriety of the divisions of rates applying on interterritorial freight traffic moving between the north and south. This action was taken at the instance of the northern carriers, which claimed that the divisions previously fixed by the Commission in 1939 were unfair to them, particularly in the light of alleged changes in relative transportation conditions brought about by the war. Only a part of the evidence in this proceeding has been submitted, and a decision is not to be expected for some time. The southern lines are going beyond a defense of their present divisions and will seek affirmative relief also. The gross annual revenue produced by the traffic for which the rate divisions are in dispute is, based on a 1947 traffic test, approximately $467,000,000, and the estimated share now accruing to the southern lines is approximately 59%, or $275,000,000. Under the proposal being sponsored by the northern carriers, the southern lines' share would be reduced by about $35,000,000. Among the southern lines, the Company's share in this interterritorial traffic is about 25%. Divisions of rates on interterritorial bituminous coal traffic are not involved.

II.

Industrial and Agricultural Development

Because of high construction cost, industrial investment in new plant and equipment slowed down during the year from the postwar peak reached during the previous year, but there has continued a steady industrial development in the South served by the Company's lines.

Expansion of existing industries, as well as modernization and plant rehabilitation programs, has been effected. Especially has this been true of the textile industry where many expenditures have been made for modernization and replacement of equipment. For example, a large mill added a total of 220,000 square feet of floor space, installed 50,000 spindles and 600 wide looms with all complementary equipment, at a cost in excess of $4 million.

Announcement has been made by another company of having placed an order for textile machinery amounting to $15 million for delivery over a period of years, thus again demonstrating confidence in the forward progress of the South.

Announcement was made by another company that it has, since the war's end, "spent more than $40 million on improving and extending its plants, and has tentative plans involving spending $40 million more." Many of these plants are located at points served by the Company's lines.

Another corporation with some twenty mills, many of which are served by the Company, has, during the year and the preceding postwar years, spent approximately $50 million for the erection of new plants and modernization and replacement of equipment of existing plants.

A new plant to produce filament rayon fabrics, costing approximately $6 million, including an entire mill village of new brick homes, a church, stores and other facilities, is expected to go into operation early in 1950 in South Carolina, to be served by the Company.

Virtually completed at the end of the year, the first mill in the Southeast to manufacture newsprint from southern pine, built at a cost of $32 million at a point served by the Company in Alabama, is a notable event in the growing industrial activity of the territory, as it provides the first new domestic source of newsprint in more than a decade. The 100,000 tons of annual output of this mill will lift the South's production of newsprint to 25% of its needs.

The South's production of aluminum products has been increased by an $8 million expansion program at a point served by the Company in Alabama.

The capacity of the South's pulp and paper industry is being increased by the $11 million expansion of a plant in Alabama. This project, it is expected, will be completed in the second half of 1950.

Continued faith in the future industrial development of the South is evidenced by the expenditure of millions of dollars for the generation of electric power by southern power companies,—a new steam generating plant near Goldsboro, North Carolina, to cost around $10 million; a $6 million plant near Meridian, Mississippi, and the completion of a third unit of an existing power plant near Hattiesburg, Mississippi; dedication of a new $13 million steam plant at Gadsden, Alabama; first and second units of steam-electric generating station at New Orleans, Louisiana, completed, and third unit scheduled for operation early in 1950; an $8 million steam-electric generating plant completed at a point on the Company's lines in Kentucky,—a part of a broad 10-year expansion program; a $15 million electric generating plant on the Dan River between Leaksville and Draper, North Carolina, nearing completion; and the dedication of the first two units of a steam generating station, Alexandria, Virginia, costing $25 million, this being expected ultimately to consist of five units at a total estimated cost of $50 million. Also, major new units completed and placed in service during the fiscal year 1949 by Tennessee Valley Authority included expansion of generating capacity at Wheeler Dam, Fort Loudon Dam and Douglas Dam, all in territory served by Southern. While some of these plants will not themselves furnish much traffic for the railroad, the increased capacity for producing electric energy cannot but be beneficial to the further industrialization of the South.

During the year work was under way on an additional $70 million atomic plant expansion at Oak Ridge, Tennessee. The impact of the atom is further reflected in plans of the Atomic Energy Commission for the expenditure of $185 million at Oak Ridge during the next three years, a large part of which is to be spent in the area served by the Company; however, the steam plant in this vast reserve is supplanting coal with natural gas, thus displacing tonnage on the railroad; but this same thing is being done by privately owned industries wherever it is possible—all due to conditions currently obtaining in the production of coal. In other cases private industries using coal have transferred over to fuel oil because of costs and uncertainty of continuing coal supply.

During 1949, 125 new traffic-producing industries were located at points served by the Company and its affiliates; 57 new warehouses were established for the assembly and distribution of numerous commodities, and additions were made to 66 previously existing plants.

Southern agriculture continued to make substantial progress during the year. One of the promising developments was the ever-increasing practice of diversification. More and better pastures and the advantages of winter grazing mean much to the constantly growing livestock and dairy industries. Proper methods of soil conservation are being carried on more and more in the territory, and the electrification and mechanization of farms continues rapidly to expand.

Truck, Water and Air Competition

During the year the Company experienced intensive competition from trucks and buses on the highways and from barge lines on the inland rivers. There was likewise some restoration of coastwise steamship service between the East and ports of the South Atlantic and Gulf.

Dealing first with the trucks: The production of trucks and trailers probably reached an all-time high during the year. Each of these vehicles immediately found its place on the highways either as a unit of some organized, regulated company, or as a contract carrier where certificates were available, or finally, as an industry-owned carrier. The product of the textile mills and other high-class commodities are particularly susceptible to this competition and the flexibility of the service is effective; but beyond this, the trucks have gone after many items of traffic which would ordinarily be classed as being tied to the rails. For example, fruits and vegetables, cast iron pipe, iron and steel commodities, even rough building stone, have been trucked for great distances. Many of these trucks have violated the load limit laws of the various states through which they operate. This has brought about considerable demand for stricter enforcement of laws in this respect. Some progress has been made, but much remains to be done. Meanwhile, truck competition has required the revision of many of the Company's freight rates because the various truck operators did not increase their tariffs to the same extent as did the railroads; and trucks have not hesitated to make special rates in their quest for traffic which would otherwise be on the railroads.

As to buses: These operations have become stabilized and are well-known to all; however, it is a fact many new buses were turned out by the manufacturers during the year and some of them are now in long-distance service.

As to water competition: The Federal Government has completed and is maintaining a nine-foot channel on the Tennessee River as far east as Knoxville, Tennessee, and this fact has brought about the operation of barges from Pittsburgh and intermediate points to both Chattanooga and Knoxville. These barges have carried iron and steel from the Pittsburgh District, grain from Cincinnati, and other commodities, including automobiles which are subsequently trucked or driven from the river landings to the interior. And they invariably try to take something back—paper from Kingsport, Tennessee, to Chicago, Illinois, is an example.

All of this competition, including that from subsidized air lines, handling passengers, mail, express and freight, while not beginning during the year, certainly reached a formidable state of development during that period, competing for traffic that has heretofore been on the railroads.

The Company has undertaken to revise rates where necessary, endeavoring to keep itself in a competitive position, but in many instances this has been, so far, impossible of accomplishment.

III.

Public Relations

Recognizing that actions speak louder than words, the management constantly endeavors to conduct the affairs of the Company in a manner that will deserve and be accorded the active good-will, support and cooperation of the people, the communities and the entire territory it serves.

The management also recognizes its responsibility to keep the public generally, and employees, informed as to the Company's contributions to the public welfare, its progressiveness, its plans and hopes for the future, and its problems and those of the industry of which it is a part.

To this end, informative advertisements were placed regularly in locally-circulated newspapers and magazines; personal and written contact was maintained with editors, educators, and other community leaders; news releases and magazine articles were prepared and distributed; a monthly magazine was produced for employees; a weekly news-letter was prepared for the official staff; speakers were supplied to civic and business

Employment Trends in 1950

By HERMAN B. BYER*

Assistant Commissioner, Bureau of Labor Statistics, U. S. Department of Labor

Discussing recent trends in unemployment, Labor Department official maintains, though unemployment today is too high to be satisfactory to us, it is low when compared with prewar levels. Holds, with exception of depressed areas and strike-affected industries, employment is at high level, though slightly below 1948. Looks to heavy consumer buying to maintain industrial output, but warns industrial expansion is essential to take care of increasing number of working population.

We have recovered a substantial part of the ground we lost early last year. Business today is good; in many cases it is excellent. But it is not yet good enough to restore full employment and to bring unemployment back down to the 2-million or even the 3-million mark. On the surface, at least, it appears that the economy has become stabilized without regaining the peaks of 1948.

Herman B. Byer

Now, obviously enough, there is more than one kind of economic stability. On the one hand, there is the stability of atrophy or stagnation. For example, a "ghost town," or a backward and drying-up economy, may well be extremely stable, showing little change from year to year. On the other hand there is the stability which results from action and movement, from balances and counter-balances, such as we find in a gyroscope which is stable only so long as it continues to whirl. This is the type of stability which results in progress.

The question before us is, what does today's picture of apparent stability really mean? Does it indicate that we are stymied, that we are unable to climb further, that we have lost our expansionary push? Or is it a sign that, to borrow a military term, we are rectifying our lines in preparation for further advances?

An analysis of the causes of last year's economic setback and of the subsequent recovery will help us answer that question.

As you no doubt recall quite well, we reached economic peaks in 1948 which previously had been considered virtually unattainable dream-goals. In the middle of 1948—only a year and a half ago—the total number of persons who had jobs was at the unprecedented figure of 61½ million. Nearly 12 million more people had jobs than in either 1929 or 1940, our best previous peacetime years.

In 1949, however, the situation changed radically. Jobs became less plentiful, and unemployment became a serious problem in many a community. This change in the economic climate affected the veteran even as it did other typical Americans, because veterans come from all walks of life—city workers and farm workers, organized and unorganized labor, businessmen and professional men.

The actual drop in employment, however, was not very great. The 1949 average was down only 660,000, or 1%, from the peaks reached the year before. In other words, employment slipped from an all-time record to a level that was still very high. The decline began late in 1948, and came to an end in the notably short time of six to nine months. The reductions were confined almost entirely to manufacturing, with railroad transportation and mining also affected. Employment in construction, trade, government, and agriculture, on the other hand, remained extremely strong except for seasonal fluctuations.

At the same time that the total number of job openings was falling off, our working population was continuing to grow. The total labor force expanded in 1949 by 800,000. This was to be expected; normally, the economy must provide between one-half and three-quarters of a million new jobs each year in order to take care of the increased supply of workers resulting from our normal population growth. Adding to the problem currently is the fact that large numbers of veterans are completing their education and are seeking job opportunities. The economy did not expand enough last year to absorb all these new entrants.

Thus, the 1949 employment picture may be summarized by saying that employment in certain sectors declined from an extremely high level, and that the economy failed ot provide job opportunities for all the newcomers into the labor force. As a result, unemployment rose by an average of 1,300,000 in 1949 from the low levels of the two previous years, when it had fluctuated around the two-million mark.

Is 1950 Unemployment Too High?

While unemployment today is too high to be satisfactory to us, it is still relatively low when compared with our prewar experience. During the defense boom in 1941, 100 out of every 1,000 workers were unemployed. In 1949, the ratio was 55 out of every 1,000.

The situation in the Pacific and the Mountain States mirrors in large measure the national picture, though by and large the impact of recent developments has been less severe. Unemployment rose in this region in 1949, but in most states the increase was milder than in the more industrialized areas of the east. Similarly, manufacturing employment declined less in this sector than in the country as a whole.

Because of the importance of seasonal industries in the economy of the western states, and because of the extremes of weather experienced in most of this region, the seasonal swings in unemployment are much wider here than elsewhere. Unemployment rises sharply in the fall and winter months, and drops in the summer months when construction, agriculture, outdoor activities and summer resorts are all in their busiest period.

In California the rate of unemployment has been consistently higher than for the nation as a whole ever since the end of the war. This was caused principally by the fact that the adult population has increased much more rapidly than the local industries could absorb them. In Washington and Oregon, on the other hand, the rate of unemployment has been below the national average in summer, and well above it in winter. Unemployment in the middle of January this year was unusually heavy, mainly because of the very severe weather. Reports which have come in to us indicate substantial recovery in February, however. In the Mountain States unemployment has generally been relatively lighter than elsewhere in the country.

Fifteen cities and towns in the Mountain and Pacific States were included in the most recent survey of unemployment in labor market areas conducted periodically by the United States Employment Service of the Department of Labor. None of these cities was put into class "A" as having a tight or balanced supply of labor, and only one, Denver, was in the "B" group with a slight labor surplus. Three cities—Salt Lake City, Seattle and Spokane—had a moderate surplus of labor. Nine cities, including seven in California, had a substantial labor surplus and were placed in the "D" group. Two—San Diego, California, and Silver City, New Mexico—were classified as "E" areas, with a very substantial labor surplus.

You will note that I have used figures very sparingly in this talk. I have tried instead to draw you a verbal picture of the job situation as it existed in 1949. For most sections of the country, that picture is very good, even though it is less rosy than it was in 1948. It shows us that the drop in employment and the rise in unemployment was orderly and limited; that the economy was still operating at very high levels; and that the down-trend was halted and reversed in remarkably short order.

Since the beginning of the year, employment and unemployment have shown very little change except for seasonal fluctuations and the impact of the coal strike. A number of industries which had been weak a year ago are continuing to show the strength they displayed late in 1949. The lumber and paper industries are again at high levels. In the Northwest, the lumber industry suffered from the effects of January's abnormal weather, but is now recovering rapidly. The cotton and rayon textiles industries have recently been holding firm and doing relatively well, though the woolen industry is still rather shaky. The shoe industry is having a good season. The furniture industry has enough advance orders to keep business humming for a good part of this year. The heavy machinery industry, one of the hardest hit of all manufacturing groups, is also increasing its activities. There is still a substantial amount of overtime being worked in manufacturing.

Output is high, except in strike-affected industries. Industrial production in January was only 4% below the peak reached in the fall of 1948. Activity in the nondurable sector, in fact, was back to peak levels. Inventories are at reasonable levels, in some cases they are too low. Order books are nicely filled. Prices are changing only very moderately. Residential construction is booming. Plant and equipment expenditures are leveling off at a high rate. Trade is active. Profits and dividends are high.

These facts of readjustment and recovery are in themselves fairly clean-cut. The basic cause of these up-and-down and up-again trends was that, after nine full years of unremitting pressures for more goods and services, supply has, in most cases, finally caught up with demand. This has led to a return to buyers' markets—which is the normal situation in an economy such as ours. With buyers again calling the tune, most industries had to readjust their output, costs, and selling methods. These changes were both inevitable and healthy, and our economy is now better off as a result. The readjustments were relatively smooth and orderly because our economy was strong and stable and fundamentally firm.

One of the outstanding factors in the economy during 1949 and the first two months of 1950 was the strength of consumer demand

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*An address by Mr. Byer before the American Legion Regional Economic Conference, Spokane, Wash, March 11, 1950.

State of Pennsylvania Gets Record Size Check

Investment bankers expedite bonus payment to Pennsylvania veterans by handing Charles R. Barber, treasurer of Commonwealth of Pennsylvania, a single check for $368,446,875—believed to be the largest check ever drawn in the history of the country. This check completes the $375,000,000 financing jointly managed by The Chase National Bank; The National City Bank of New York; Bankers Trust Company; Drexel & Co., and The First Boston Corporation.

Seated, from left to right, Fairfax Leary, Jr., special counsel to Pennsylvania Attorney General; T. McKeen Chidsey, Attorney General of Pennsylvania; Charles R. Barber, State Treasurer; John S. Linen, Vice-President, Chase National Bank, and Walter H. Steel, Partner of Drexel & Co.

Standing, left to right: George S. Munson, of Townsend, Elliott & Munson, attorneys; Brainerd H. Whitbeck, Vice-President, The First Boston Corporation; Thomas S. Gates, Jr., Partner of Drexel & Co.; Frederic A. Potts, President, The Philadelphia National Bank; Lawrence N. Murray, President, Mellon National Bank & Trust Co.; Dr. Edw. B. Logan, Pennsylvania's Budget Secretary.

Continued from page 6

The Frear Bill: A Trap to Ensnare Little Business for Big Business

ally that every shareholder of a corporation has a right, by virtue of his proprietary interest, to inspect and examine the corporation's books at reasonable time and place and for proper purpose. These rights are a matter of basic corporation law in Kentucky and most other states.

One of the greatest dangers implicit in this legislation is the threat it holds to level competition among competing smaller businesses and between small and large enterprises. Small companies falling within the scope of the proposed legislation and control of the SEC would be required to furnish quarterly, annual and supplementary financial reports and to file registration statements. They would be required to give out detailed information on sales, costs, working capital and other financial matters, in a general public statement. Competitors would be able to use this information against each other in a constant war among small business. Larger enterprises, constantly on watch to buy up small prosperous enterprises, would be in position to evaluate the smaller ones on the basis of these reports, up to now unavailable to them, and to buy them out or to pressure them into selling. It would contribute greatly to a constant re-shuffling and re-leveling of competition.

Would the general public, or the small investor benefit? Would the small investor avail himself of the study of such voluminous reports and records of a concern prior to, or after, making his investment? We think not. Such reports and records are too complicated for the average person to read, much less digest. The public would not be interested. The small investor would be interested only in whether there is good management. And good management today dictates that this information be made available to the small investor, who is the red blood corpuscle in the stream of small commerce. Such information is readily available to the small investor because companies have become more and more aware of the need for informing him, clearly, concisely, conclusively and honestly on the operations of the business. You cannot interest investors by the sheer weight of records and reports. Good management does not want to cover up; it has nothing to conceal. Bad management cannot.

Main Purpose to Expand SEC Regulations

The main purpose in the conception of this legislation is to expand the control of SEC regulations beyond interstate commerce and beyond Wall Street to "Main Street." It is an invasion of state control of questionable value and doubtful constitutionality. Those of us who supply capital to small firms and who solicit investors for such support are all too aware of the dangers in not furnishing detailed information. The business firms themselves are conscious of these dangers. But such information must not be rendered up for all to see—competitors included—and to seize unfair or illegal advantage, to the detriment of small enterprise. This is either a brazen and unwarranted, or naive, attempt to extend and expand the jurisdiction of the SEC to control of all business, interstate and intra-state alike. For what is to prevent the SEC in a few years from returning with a demand that all enterprises with $1,000,000 or even $100,000 in assets, and 100 or even 10 securities holders, be subject to SEC control?

It resolves itself into a question of the limit to which the scope of SEC authority is designed to run, and is to run, for the benefit of a sound economy, and not a question of whether these firms should or should not be compelled to furnish such records and reports. The Frear Bill would give the SEC final authority to determine what constitutes "$3,000,000 in assets and 300 security holders." That is too broad a delegation of power and too dangerous.

The SEC has in the past deplored the effects on small business and small investment firms of certain phases of the Securities Acts of 1933 and 1934 as affecting venture capital and the activities of the small firms, but has done nothing constructive about rectifying these Acts. The SEC in its recent belated report for the year ending June 30, 1949, issued publicly March 7, 1950, states that registered security offerings have dropped 17% for that fiscal year, but still asks Congress for expanded authority to police the stock and bond business and, in particular, asked for enactment of the Frear Bill. The lack of equity capital in a large degree, the decline of a large number of "Main Street" investment firms in Kentucky and other grass roots states, and the increase in size of big Wall Street banks and investment concerns are the direct results of the failure by the SEC, the Treasury Department, the Federal Reserve, and other financial agencies of the government to correct inequitable legislation; and, the result has been a serious injury to investor and public interest.

All financial agencies of the government are presently so filled with Wall Street people and so imbued with the selfish ideologies of Wall Street that perhaps a proper bill would be one to change the name of Wall Street to "Main Street." Many large New York banks and investment firms run ads and make statements and have speeches written by their officers that Wall Street is part of the "Main Streets" all over the country, but their leadership's selfish thinking consider themselves 97% part. The tail in this instance has wagged the dog too long!

If the name of Wall Street were changed to Main Street, it would confound the Kremlin's propaganda and a good many of our own Wall Street financial demogogues would have to attempt to write an entirely new line of speeches.

Where the former SEC legislation has been referred to as the "death-knell for holding companies," the proposed expanded SEC measure might well be called the "death warrant for Main Street business." It would strangle the arteries of small capital and impede economic progress.

Caveat emptor is gone from the American scene of business. It is not necessary, with this pending legislation and its impending dangers, to revive the odor of its presence.

The Administration in Washington and the SEC should consider the implications of Wall Street's championing of this measure. It would give to Wall Street a larger instrument with which big business could bludgeon little business. And up and down "Main Street," America 1950, would go the chain reaction of the submergence of the little man.

Wiser Policy Is to Reform Existing SEC Regulation

It would seem to be a far wiser course for the Administration and Congress to direct a study of all existing SEC and bank legislation exercising controls over business, to determine their adequacy or inadequacy, before any additional legislation is considered. This should be done at once, before further consideration is given to enactment of the Frear Bill, in the interest of the general economy of this nation. Small business needs encouragement, not discouragement, in the exercise of its operations. It is the real backbone of the nation's economy.

This view is supported strongly by Paul Heffernan of the New York "Times" under date of March 5, who stated: "The aim would be to clean up the overlapping thinking and provisions of the Securities Act and the Exchange Act and to relate the ideology which inspired the experimental laws of the 'Thirties with the second-thinking and the realities of life of a subsequent generation. Until the appointed administrators of the SEC and the members of the career staff begin to give convincing indication of a disposition to work together toward such an objective, all that the financial world is likely to expect from the SEC in the way of solutions to vexing problems is lip service to private enterprise in behalf of less restrictive laws followed by recommendations to Congress for more restrictive laws and by requests for extended power and prerogatives."

The SEC seems to forget that the Constitution of the United States has been amended many times. Certainly, the Securities Acts of 1933 and 1934 are not sacred. This attitude of the Commission, going back to Latin, recalls this sentence — *Factum infectum feri nequit* (a thing which has been done, cannot be undone).

We have seen in every controversy in the last few years involving any phase of the securities business, the Treasury Department and other financial agencies of the government fighting with every method at their disposal the "Battle of Wall Street" against "Main Street." The legislation for the benefit of a few large Wall Street banks and some others dominated by Wall Street, to underwrite low-cost housing bonds under the Act of 1949, is a most recent illustration. The act of that superior propaganda agency, the International Bank, and the way it worked out competitive bidding so that small investors and "Main Street" dealers were practically deprived of any part of this program, is a matter of recent history that presents a questionable regard for the people's interests. The only hope of clearing out the government temples of finance appears to be to pray for another Andrew Jackson.

Franklin Delano Roosevelt, who sponsored the Securities Acts of 1933 and 1934, certainly would feel badly about the way they are working as they affect the small man, the small firm and small investment dealer. Most recent rules and regulations, such as competitive bidding, private placements, etc., have deprived the small investor everywhere of the chance to buy certain high-grade securities and they all have been bought by the big banks, insurance companies and large investors. Competitive bidding rules certainly have worked very much to the detriment of the "Main Street" dealer and small investor.

In the early securities investigations, J. P. Morgan had a midget sitting on his lap. Wall Street still seems to have its midget to work out its purposes in the person now of the SEC.

The SEC has a duty in connection with Section 5 governing advertising, to revise this section in the interest of letting the country know the proper facts about the securities business and the need for equity capital. Regulation "T," regarding extension of credit, has worked adversely to the interest of the small investor, especially in the smaller cities and towns. The Federal Reserve and SEC are cognizant of this fact and have been derelict in their public duty by not correcting it with a legislative recommendation.

The Louisville Chamber of Commerce, under date of March 2, 1950, announced opposition to the Frear Bill and sent copies of this resolution to Vice - President Barkley and all Kentucky members of the Congress.

A vote for the Frear Bill is fundamentally a vote for selfish bureaucracy, the selfish few, as the bill is un-American in its inception and intent and should not be reported favorably by the Senate Banking and Currency Committee.

D. J. Manheimer & Co.

Alan D. Schwabacher will acquire to New York Stock Exchange membership of the late Sterling S. Beardsley and will become a partner with DeWitt J. Manheimer, member of the Exchange, in the firm of D. J. Manheimer & Co., 120 Broadway, New York City, to be formed April 1. Mr. Manheimer has been active as an individual floor broker.

With Cantor, Fitzgerald

BEVERLY HILLS, CALIF. — Darvin M. Curtis is now associated with Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive. He was formerly with Marache Sims & Co.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Marion K. Ellis, Joseph F. Emmons, Arthur C. Harrover, Jr., Ralph J. Phillips and John D. Stowers have been added to the staff of Hamilton Management Corp., Boston Building.

THE TEXAS COMPANY

and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME
For the Years Ended December 31, 1949 and 1948

	1949	1948
Gross Income:		
Sales and services	$1,077,270,246	$1,080,886,431
Dividends, interest and other income	38,766,810	41,034,343
	$1,116,037,056	$1,121,920,774
Operating Charges:		
Costs, operating, selling and general expenses	$ 830,117,530	$ 785,716,568
*Taxes (other than Federal income taxes)	35,438,351	31,810,494
Intangible development costs (amortization and dry holes)	32,915,353	38,384,322
Depreciation	46,136,901	38,552,814
Depletion and leases surrendered	13,175,424	11,585,460
	$ 957,783,559	$ 906,049,658
	$ 158,253,497	$ 215,871,116
Interest Charges:		
Interest and amortization of discount and expense on debentures	$ 3,760,164	$ 3,760,164
Other interest charges	1,150,174	629,972
	$ 4,910,338	$ 4,390,136
	$ 153,343,159	$ 211,480,980
Provision for Federal Income Taxes	20,600,000	45,500,000
Net Profit Carried to Earned Surplus	$ 132,743,159	$ 165,980,980

*In addition, state and Federal gasoline and oil taxes were paid or accrued in the amounts of $186,159,305 during 1949, and $176,851,775 during 1948.

STATEMENT OF CONSOLIDATED EARNED SURPLUS
For the Years Ended December 31, 1949 and 1948

	1949	1948
Earned Surplus at Beginning of Year	$475,955,448	$370,112,561
Net Profit for the Year	132,743,159	165,980,980
	$608,698,607	$536,093,541
Deduct:		
Cash dividends declared	55,142,428	40,619,469
Stock dividend—336,528 shares of the capital stock of The Texas Company at assigned value of $58 per share	—	19,518,624
Earned Surplus at End of Year	$553,556,179	$475,955,448

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS
For the Years Ended December 31, 1949 and 1948

	1949	1948
Capital Surplus at Beginning of Year	$133,103,357	$121,997,933
Add:		
Excess of value assigned to 336,528 shares of the capital stock of The Texas Company, declared as a stock dividend, over par value thereof	—	11,105,424
Capital Surplus at End of Year	$133,103,357	$133,103,357

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1949 AND 1948

ASSETS

	1949	1948
Current Assets:		
Cash	$ 104,718,904	$ 112,545,797
U. S. Government short-term securities, at cost	49,040,000	81,593,000
Accounts and notes receivable, less reserve of $850,000	90,868,884	92,240,762
Inventories—		
Crude and refined oil products and merchandise, at cost determined on the first-in, first-out method, which in the aggregate was lower than market	176,888,114	163,630,538
Materials and supplies, at cost	22,070,163	31,192,771
Total current assets	$ 443,586,065	$ 481,202,868
Investments and Advances (Note 1)	$ 169,708,531	$ 158,911,691
Properties, Plant and Equipment—at Cost:		
Producing	$ 615,367,799	$ 566,610,908
Pipe line	120,796,460	101,472,145
Manufacturing	376,190,338	326,905,077
Marine	89,242,289	76,770,599
Marketing	171,384,561	157,096,679
Other	6,236,183	5,673,839
	$1,379,217,630	$1,234,529,247
Less—Reserves for depreciation, amortization and depletion	637,159,375	611,519,445
Net properties, plant and equipment	$ 742,058,255	$ 623,009,802
Deferred Charges	$ 12,779,735	$ 13,969,400
	$1,368,132,586	$1,277,093,761

LIABILITIES

	1949	1948
Current Liabilities:		
Notes and contracts payable	$ 8,510,759	$ 6,081,730
Accounts payable and accrued liabilities	90,655,486	96,953,262
Provision for Federal income taxes (less U. S. Treasury obligations held for payment of taxes: 1949—$25,000,000; 1948—$45,000,000)	9,449,919	10,679,021
Dividend payable January 3, 1950 and 1949	13,781,757	10,332,004
Total current liabilities	$ 122,397,921	$ 124,046,017
Long-Term Debt:		
3% Debentures, due May 15, 1965	$ 60,000,000	$ 60,000,000
2⅝% Debentures, due June 1, 1971	80,000,000	80,000,000
Notes of The Texas Pipe Line Company payable approximately $1,600,000 annually beginning in 1951 with interest rates of 2.6% to 2.9%	38,333,333	22,100,000
Other long-term debt	1,795,444	2,108,610
Total long-term debt	$ 180,128,777	$ 164,208,610
Reserves:		
Employes' pension plan (Note 2)	$ 5,901,918	$ 7,909,662
Incentive compensation plan (Note 3)	1,892,648	
Foreign exchange fluctuations	1,826,448	1,930,067
Contingencies	25,000,000	25,000,000
Total reserves	$ 34,621,014	$ 34,839,729
Capital Stock and Surplus:		
Capital stock, par value $25—Authorized 20,000,000 shares in 1949 and 14,000,000 shares in 1948		
Issued and outstanding: 13,797,624 shares (including 5,308 shares in 1949 and 17,199 shares in 1948, respectively, issuable against scrip outstanding; and 10,000 shares held in treasury in 1949)	$ 344,940,600	$ 344,940,600
Capital surplus	133,103,357	133,103,357
Earned surplus	553,556,179	475,955,448
	$1,031,600,136	$ 953,999,405
Less—Capital stock held in treasury, 10,000 shares, at cost	615,262	—
Total capital stock and surplus	$1,030,984,874	$ 953,999,405
Contingent Liabilities (Note 4)		
	$1,368,132,586	$1,277,093,761

The foregoing balance sheet and statements are taken from the Annual Report, dated March 20, 1950, to stockholders of The Texas Company, and should be read in conjunction with such report which contains the Notes to Consolidated Financial Statements and the certificate of Messrs. Arthur Andersen & Co., Auditors, attached to the financial statements. A copy of the report to stockholders may be had upon application to the Company. The said balance sheet, statements, and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of The Texas Company.

With Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Clarence B. Roberts has become affiliated with Kalman & Company, 136 Endicott Arcade.

Mutual Funds

By ROBERT R. RICH

Survey Shows Fiduciaries Favor Trusts Strongly

Fiduciaries are overwhelmingly in favor of a statute in their respective states permitting purchase of investment trust shares by trustees, according to a recently released nationwide survey of trust officers and lawyers conducted by Scudder, Stevens & Clark.

Of the 801 trust officers and lawyers who responded to the survey, 68% voted in favor of such a statute in their states and 20% voted against it, while 12% declined to answer.

Proportionately more lawyers and trust officers replied "yes" in legal-list states than in prudent-man rule states.

The purpose of the survey was two-fold: To determine from the trustees themselves whether an all high-grade common stock fund, bearing the usual management fee but available without a sales "load," would be useful in meeting the investment problems of small trusts, and to seek information for use in designing such an investment vehicle to make it of greatest value to fiduciaries.

Report of Survey Findings

Scudder, Stevens & Clark, in recapitulating the seven-page Report of Findings of their survey, stated that:

Fiduciaries, both individual and corporate, are interested in the investment fund principle and in the use of investment company shares, especially for diversifying the common stock portion of small trusts.

Many corporate trustees who are operating without the benefit of a common trust fund, and many individual trustees with limited investment research facilities, feel a need for this type of investment vehicle.

Investment shares would be more widely used in trust administration by fiduciaries, if they were so authorized by statute or by a sufficient weight of clear judicial precedent, or by language in the will or trust instrument; but that a substantial and perhaps increasing number of trustees are using investment shares in trusts of modest size without these permissive provisions.

A trend is evidenced toward wider acceptance of common stocks and of investment trust shares by fiduciaries accompanying, if not accelerating, a trend to more favorable legislative and judicial attitudes regarding their use.

Elimination of the sales "load" or acquisition cost factor in the purchase of investment trust shares would remove what many fiduciaries felt to be a major deterrent to the use of such shares in trust administration and to recommending them for use by their clients.

Sales Load Most Objectionable

Although 48% of the 420 lawyers and 17% of the 381 trust officers listed no objection or deterrent to investment trust shares, the remaining two-thirds of the fiduciaries listed deterrents in answer to the question, "If you do not use investment trust shares in trust administration, will you tell us why."

Named in order of importance, according to the total number of times individually mentioned, the deterrents to the use of such shares were the sales load, management fees, delegation of authority, indifference to such shares and lack of familiarity.

In answer to the question, "When you or your clients receive investment trust shares in the assets of an estate or trust, do you in general hold or sell them?", replies indicated that more than one-half would hold, one-fifth would sell; the remainder were indeterminate or had no policy.

Asked to state their preference for an all high-grade common stock fund or a balanced fund, the fiduciaries favored a balanced fund in the ratio of 5-to-4.

Two Trust Officers' Observations

To supplement and support the summary of findings, the Survey thought that the observations of two trust officers seemed appropriate.

These men operate in different parts of the country and under sharply contrasting conditions of investment. One is from the head of a small trust department in a Southern state, where he operates under the restrictive provisions of a legal-list. He said, "The main reason we do not use investment shares to any appreciable extent is due to lack of local, judicial and public acceptance. It is just a matter of a little more time and a little more experience and education. The prudent-man rule must first be accepted for a trust investment medium here."

The other man is an officer in a trust department in a Midwestern state, where he has permissive statute in the use of investment company shares. He writes, "As you can see, we think very well of the use of investment trust shares in small trusts where they fit the circumstances and the investment instructions. This feeling is based both upon our notion as to the general considerations involved, and the results which trusts of ours have experienced through the actual use of investment trust shares.

"To us, it has seemed increasingly clear that this method of owning common stocks is not only legitimate for small trusts, like small individual investors, but so essential that a wide increase in its use is inevitable."

The Survey, made in the closing weeks of 1949, and which findings were released only presently, is regarded as of some importance to the Mutual Funds Industry today. Much discussion concerning the acceptability of investment trust shares by fiduciaries has lacked the statistical basis which this worthwhile Survey contributes.

SEC Issues Annual Report

The Securities and Exchange Commission in its Annual Report for 1949 (with a green cover) stated that of the 358 investment companies registered at June 30, 1949, 140 were management open-end trusts. Total assets of the 358 companies totaled $3,700,000,000.

During the past five years, 185 registered management open-end and management closed-end investment companies reported sales to the public of approximately $1,500,000 of their securities, and redemptions and retirements of approximately $800,000,000, leaving a net investment in such companies over the period by the public of approximately $700,000,000.

Discusses Sales Literature

Commenting upon sales literature and its regulation under the Investment Company Act of 1940, the SEC noted that "During the last five years increasing use was made in such literature of charts and schedules purporting to depict the performance records of open-end companies. Many of these depictions appeared to be misleading and inaccurate in material aspects. Accordingly, during the 1949 fiscal year, the Commission in a public release commented upon aspects in which it deemed these charts and schedules to be misleading. As a result of this release, representatives of the Commission's staff and of the National Association of Securities Dealers and the National Association of Investment Companies held a series of conferences in which a more uniform and accurate method of portraying the performance of investment companies was evolved to serve as a guide to the industry in general. In an attempt to remove misleading comparisons from selling literature, conferences are now in progress in respect of charts and graphs purporting to compare the performance of investment companies with that of well-known stock market averages."

Canadian Fund to Sell

Subject to ratification by shareholders at a Special General Meeting to be held on April 3, 1950, an agreement has been entered into with Corporate Investors Limited, Toronto, whereby it will purchase all assets of Canadian Investors Corp., Limited, and will offer to shareholders of Canadian Investors residing in Canada (except Newfoundland) the privilege of reinvesting the proceeds of their shares in Class "A" shares of Corporate Investors, without surcharge.

Shareholders in Canada accordingly will have the option of surrendering their shares for cash at the net asset value or of reinvesting in full shares of Corporate Investors Limited stock at their liquidating value.

Shareholders residing in Newfoundland or outside Canada will be entitled to receive only cash upon surrender of their shares.

George Putnam Fund Trustees Reelected

At the recent annual meeting of The Fund, the following were reelected to serve as trustees for the coming year: George Putnam, Charles M. Werly, Richard Osborn, Louis J. Hunter, and Stanley F. Teele.

George Putnam, Chairman of the board, in commenting on the trustees' outlook for the immediate future made the following comment in part: "As long as we have a government which—even in the prosperous year of 1949—spends more than it receives in taxes, the danger of serious inflation remains acute. Interest rates are not likely to return soon to the more generous levels of a few years ago."

Currently The Putnam Fund has slightly less than 60% of its assets in common stocks.

Halsey Stuart Group Offers Jamaica Water Supply 2 7/8% Bonds

Halsey Stuart & Co. is offering $7,995,000 Jamaica Water Supply Co. first mortgage 2 7/8% bonds, Series C, due March 1, 1975, at 102.25% and accrued interest. The bonds were awarded at competitive sales (Monday) on a bid of 101.629%.

Proceeds from the sale of the bonds will be applied in part to the redemption of the company's presently outstanding $5,745,000 principal amount of First Mortgage 3 3/4% Bonds, Series A, and $1,250,000 principal amount of First Mortgage 3 1/4% Bonds, Series B. The remainder will be applied to the payment of bank loans, to the defraying of refunding costs, and for gross additions to utility plant.

Regular redemption prices range from 105.25% to 100.21%. Special redemption prices are scaled from 102.25% to 100.12%.

Jamaica Water Supply Co., incorporated in 1887, is an operating public utility, owning and operating a water supply system in an area of approximately 40 square miles in the Borough of Queens and in part of the Towns of Hempstead and North Hempstead in Nassau County, New York. The business consists of the production, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. The population served by the company is estimated to be in excess of 460,000.

LANE-WELLS COMPANY

SUMMARY OF ANNUAL REPORT FOR 1949

SETTING a new record, consolidated gross income for 1949 was $15,990,908, an increase of nearly 17% over the $13,687,230 reported for 1948.

Consolidated net income for 1949 amounted to $2,273,910, or approximately $6.32 per share. This compares with $2,414,330, or $6.71 per share earned in 1949. The slightly lower rate of net earnings reflects the added costs of Koneshot operations, the greater expense of doing business in Venezuela and higher wage levels and costs of materials in this country.

In January, 1949, Petro-Tech Service Co., Lane-Wells affiliate in Venezuela, acquired the assets and business of Venezuelan Oilfield Service, C. A., which had been operating an oilfield service in Eastern Venezuela. On December 31, 1949, Petro-Tech acquired all of the assets, property, and license rights previously owned and employed by Seismograph Service Corporation of Delaware in its well logging and jet perforating business in Venezuela. This acquisition should result in an appreciable increase in Petro-Tech's Venezuelan perforating business and also enable it to meet the increased demand of the Venezuelan oil industry for radioactivity well logging services.

To serve the rapidly expanding oil industry in Western Canada, a wholly owned subsidiary, Lane-Wells Canadian Company, was incorporated in July, 1949, with headquarters and operating base in Edmonton, Alberta, and a sales office in Calgary, Alberta.

Net investment in property, plant and equipment at the end of the year was $7,437,182, an increase of $1,529,804. Of this latter amount, net additions to buildings and lease improvements were $789,439, and there was an increase of $616,445 in the net investment in field service trucks and other automotive equipment.

New field stations were opened during 1949 in Harvey, Louisiana; Jacksboro and Colorado City, Texas; and Elk City, Lindsay, and Fairview, Oklahoma; and the Santa Maria, California station was closed. Lane-Wells is now operating 62 service and sales stations, including 53 in this country, 7 in Venezuela, and 2 in Canada.

During 1949, Petro-Tech Service Co. erected new buildings in Anaco, Jusepin, El Tigre and Las Morochas, Venezuela; and new buildings were erected for the Canadian subsidiary in Edmonton, Alberta. New Pacific Coast Division buildings were completed in Paramount, California, as well as the new truck assembly building and additions to the main shops and offices in Los Angeles. New buildings or additions to present facilities were also provided in Bakersfield, California; Alice, Beaumont, Cisco, Longview, Odessa, Pampa, Victoria and Wichita Falls, Texas; Hobbs, New Mexico; Oklahoma City, Oklahoma; Great Bend, Kansas; and Cody, Wyo.

Four quarterly dividends were paid in 1949 totaling $2.00 per share. Lane-Wells had 2353 stockholders of record at the end of the year. Company's capital stock is listed on the New York Stock Exchange and the Los Angeles Stock Exchange.

LANE-WELLS COMPANY

(and subsidiary companies)

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1949

ASSETS		LIABILITIES	
Cash and advances for working fund.	$ 1,015,901.24	Accounts payable and other accruals	$ 679,365.28
Accounts and notes receivable (*Less $125,694.19 reserve for doubtful accounts*)	1,900,383.25	Note payments due within one year	225,000.00
Inventories	1,176,461.73	Federal and foreign income taxes estimated	1,359,300.00
Property, plant and equipment (*Less $3,649,463.68 reserve for depreciation*)	7,437,181.92	Long term debt	2,050,000.00
Patents and other intangibles	156,522.06	Minority interest in subsidiary	158,127.89
Deferred charges	389,265.98	Capital stock — *Authorized 500,000 shares, par value $1, issued and outstanding 360,000 shares*	360,000.00
		Capital surplus	1,607,714.00
		Earned surplus	5,636,209.01
	$12,075,716.18		$12,075,716.18

A copy of the Annual Report will be sent on Request

LANE-WELLS COMPANY

Perforating • Radioactivity Well Logging • Electrologging
Packers Bridging Plugs

GENERAL OFFICES AND PLANT • 5610 SO. SOTO ST. • LOS ANGELES 28

53 Branches in Principal Oil Fields of the United States.

Petro-Tech Service Co., a subsidiary, 7 branches in Venezuela.
Lane-Wells Canadian Co., a subsidiary, 2 branches in Canada.

Texas Utilities Com. Stock Marketed by First Boston Group

An underwriting group headed by The First Boston Corp.; Blyth & Co., Inc.; First Southwest Co.; Rauscher, Pierce & Co., Inc., and Dallas Union Trust Co. on March 22 made public offering of 400,000 shares of Texas Utilities Co. common stock at $25 per share. The stock was awarded to the group at competitive sale.

Proceeds of the sale will be added to treasury funds from which the company will repay $1,200,000 of bank borrowings and purchase additional shares of common stocks of its subsidiary operating companies approximately as follows: $3,000,000 for Dallas Power & Light Co. shares; $2,000,000 for Texas Electric Service Co. shares and $1,500,000 for Texas Power & Light Co. shares.

The above subsidiaries generate, distribute and sell electricity in an area covering approximately 72,650 square miles in the northern, eastern and western parts of Texas. The area served has a population of around 2,250,000. Operating revenues of the subsidiaries for the year ended Dec. 31, 1949 were $60,155,466. Net equity of Texas Utilities Co. in the income of subsidiaries for the year was $10,084,191.

Giving effect to the sale of the 400,000 shares, Texas Utilities Co. will have outstanding 4,800,000 shares of common stock. The company has no other securities outstanding.

In 1949 the company paid dividends amounting to $1.15 per share on the common stock. On Feb. 17, 1950 the company declared a dividend of 32 cents per share payable on April 1, 1950 to holders of record on Feb. 28, 1950.

George M. Vivian Opens Own Office in Duluth

(Special to THE FINANCIAL CHRONICLE)

DULUTH, MINN.—George M. Vivian has opened offices in the Torrey Building to engage in a securities business. He was formerly with Thomson & McKinnon. In the past he was an officer of Martin, Vivian Co. of Duluth.

Mutual Fund Mart

(Special to THE FINANCIAL CHRONICLE)

Stanley R. Bodine has formed Mutual Fund Mart with offices at 50 Church Street, New York City, to engage in a securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Despite the uncertainties that go along with Federal's continued liquidation of Treasuries (undoubtedly to keep yields within desired limits), there is a sizable demand for specific issues in both the eligibles and tap obligations. Selective buying, a good part of which is being done through switches is not having an unfavorable influence upon the 2¼s due 1959/62. These bonds appear to have attraction now for many non-bank investors, because of the near-term eligibility feature and because of the sharp price decline which they have experienced. While the 2½s of June and December 1967/72 have given ground under Federal's selling, they have nonetheless been well bought by pension funds and savings institutions. The 2½s of 1962/67 and 1963/68 are also being acquired in fairly sizable amounts by various investors.

In the bank obligations the longest taxable issue continues to be in demand and is well taken by all deposit institutions. Specialized buying is being done in the 2¾s due 1960/65, with a couple of large swaps being reported into this issue. The 1956 eligibles and the new 1½% note also are moving into strong hands.

MARKET CONFUSED

The government market seems to be pretty well confused, because very few if any understand exactly what the monetary authorities are aiming at by keeping the pressure on the ineligible obligations, particularly the victory bonds. Prices of the tap issues, especially the longest maturities, continue to give ground because of selling by Federal which at times has not been too substantial.

Nonetheless, there has been no let-up in the offerings by Federal which means ineligible securities are always available when buyers are looking for restricted issues. About all that can be done, it seems, is to try and guess what the powers that be might have in mind in pushing down prices of the ineligible bonds.

NEW ISSUE OF RESTRICTEDS IN OFFING?

The feeling that a new issue of restricted bonds is in the making for the immediate future does not appear to have many followers now. This, despite the fact that the pressure to lower prices of outstanding obligations could be for the purpose of preparing the market for just such an offering. On the other hand, since certain non-bank investors have been rather consistent sellers of the tap issues for a considerable period, this does not in the opinion of some money market followers, give the market the kind of psychological attitude that is usually developed for a new issue of securities. Also it has generally been the policy of the monetary authorities to offer securities that fit in with the needs and demands of investors. They know that nothing succeeds like success and this applies even to new issues of Treasury obligations.

Nevertheless, the powers that be like to spring surprises on the government market when it comes to new issues, but where would the surprise be if a longer-term tap issue were used to finance the deficit? The market would not be amazed or astonished if a 25- or 30-year 2½% were offered at 100, after all the preparation that has been undertaken to get prices in line for such an obligation. The surprise factor will probably still be kept in the picture by the authorities, and this may be done by not offering restricted issues at this time to finance the deficit.

WHY FEDERAL PRESSURE ON THE TAPS?

If a new issue of tap bonds is not in the immediate offing, why the continued selling of these securities by Federal to increase the yields of these securities? Some hold the belief the monetary authorities for a time want yields to increase slightly so as to take some of the buying pressure off other securities which is being done in order to improve income. This could have some effect as far as fixed-income securities are concerned but it would probably not have too much influence upon equities unless yields of Treasuries went much higher. How far yields of long tap issues may rise is anyone's guess, but quite a few in the financial district believe the top is not far from current levels, if not already there now.

One of the reasons given by some for the liquidation of the tap issues by Federal, is to put the Central Banks in a better position to take on long bonds in the future, when, as and if the occasion should rise. On the other hand, the opinion is not without considerable support that higher long-term yields for the tap issues are being carried out by the authorities, in order to bring these yields more in line with the short-term rate. Also the fact that some of the eligibles are being sold and the proceeds are being used to buy the victory bonds and the 2¼s, is not exactly distasteful to the monetary authorities. It is indicated the Central Banks are not supposed to have too many of the bank issues which could be used to keep prices or yields of the latter obligations in line.

BEST ACTING ELIGIBLES

The 2½s due Sept. 15, 1967/72 and the 2¾s of 1960/65 have been the best acting issues in the eligible list. Although a few more of these bonds have been coming into the market, there has been no let-up in demand which has kept prices of these securities firm to buoyant. Both the large and small commercial banks are buyers of the 2¼s of 1956/59 with the former institutions the main purchasers of the 1½s.

Vance, Sanders Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Stuart E. Cornell has become affiliated with Vance, Sanders & Co., 111 Devonshire Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Herbert C. Hansen has been added to the staff of King Merritt & Co., Chamber of Commerce Building.

Why Should Such a Statement Be Necessary?

"Individual information collected under the seventeenth decennial census will not be used for purposes of taxation, investigation, or regulation, or in connection with military or jury service, the compulsion of school attendance, the regulation of immigration or with the enforcement of any national, state, or local law or ordinance.

President Truman

"There need be no fear that disclosure will be made regarding any individual person or his affairs. For the due protection of the rights and interests of the persons furnishing information, every employee of the Census Bureau is prohibited, under heavy penalty, from disclosing any information which may come to his knowledge by reason of his employment.

"Life and liberty in a free democracy entail a variety of cooperative actions for the common good. The prompt, complete, and accurate answering of all official inquiries made by census officials should be regarded as one of the requirements of good citizenship and an exercise in fundamental democracy."—President Harry S. Truman.

It is a sad commentary upon the state of things that the President finds it necessary to make such a statement as this.

It would not be necessary had not the Government during the past decade or two developed prying eyes, and if it had always been on the up and up with individual citizens who were compelled to divulge personal information.

Continued from page 29

Employment Trends in 1950

for goods, services and housing. In fact, more goods and services were bought in 1949 by American consumers than ever before in our history. In addition more dwelling units were placed under construction in 1949 than even in the best years of the boom-time 20s. So far in 1950, the same condition holds true.

In effect, then, there has been no "buyers' strike," but the very reverse. Then, you may well ask, why did employment drop and unemployment rise in the face of this unprecedented volume of sales?

In non-technical language, much of the answer lies in the fact that inventories were being cut. In late 1948, non-farm business inventories were being built up at a rate rapid enough to account for the employment of roughly 1½ million factory workers. But in the next six to nine months, business reversed this process and sharply liquidated its stocks of goods. Sales were made out of inventory rather than out of new production. In other words, a substantial share of 1948's peak output was not sold to consumers but instead went onto business shelves. In 1949, the reverse happened, and 1949's record sales were made out of 1948's record output.

With sales exceeding production, inventories in many industries eventually fell to a level at which increased output became imperative. Consequently, by the year's end, inventory liquidation was being replaced by inventory rebuilding.

Strong Points in Our Economy

This analysis points up the strong points in our economy. It shows that consumers are still able and willing to buy, especially if business goes after the business. It also shows that our inventories are lower than they were a year ago. In fact, if consumer demand continues at 1949's levels, output and employment this year will have to exceed the 1949 levels.

It is possible to enumerate many other strong points as well. For instance, the construction industry will probably equal its 1949 accomplishments, when physical volume was as high as in any peacetime year since the mid-'20s. The strength in this industry is not due to government planning or make-work projects; rather it results from the great strides our people are making, both in population growth and in standards of living. The activity of the construction industry is supporting many other parts of the economy as well.

Other strong points today are the continued high levels of incomes, and the many government programs which bolster confidence in the economy, such as guarantees of bank deposits and mortgages.

But there are also difficulties and problems which cannot be overlooked.

One problem has to do with our distressed areas. Our economy has made great strides in the two decades since 1929, yet many areas have actually lost ground over this period, because their major industries have declined. Among these districts are many mining areas and also textile centers in New England.

Depressed Areas

While the causes of their difficulties are easy enough to discover, the solutions are far from obvious. In the meantime they already constitute a serious problem. For instance, there are at present 39 labor market and economic areas which the Department of Labor classifies as "E" areas, that is having at least one out of every eight workers unemployed. Of these depressed

areas, 15 are predominantly textile cities, and are located largely in New England. Another nine are mainly coal-mining areas located in Pennsylvania, Illinois, and Indiana.

We had virtually forgotten about these areas during the war and the boom years following. But it took only a minor setback to strip off their veneer of prosperity and to reveal them as major problems.

Now that is one type of problem with which we are faced. It is a long-term one, but it will become increasingly important as we swing from a boom economy to a more normal pace.

There are other problems too. Problems are always cropping up in an economy of change and improvement. One is that a drop in exports appears to be unavoidable. Another is that capital expenditures for plant and equipment appear to have passed their peak. A third unfavorable possibility is that farm income may decline significantly in 1950. In addition, it is apparent that the postwar readjustments have not yet caught up with all of our industries, particularly automobiles and higher-priced housing.

Most of today's doubts about the economy can be combined into the question which I asked at the beginning of this talk: Have we reached, temporarily or permanently, a ceiling to our economy?

The conclusion which I present to you today is basically optimistic, though it does not ignore the potential pitfalls. The weaknesses in the present situation cannot be overlooked, but those now on the horizon are not important enough to upset the rest of the economy, especially when they are stacked up against our real and significant strengths. Consumers and businessmen still have large unsatisfied needs, and they have abundant purchasing power to fill those needs. Government supports are operating to prevent any collapse of farmers' income. Speculation and private debt are both relatively small, and credit is easy—all in sharp contrast to the conditions which prevailed in 1929. In addition, there can be cited such facts as the McGraw-Hill statement that expected business outlays are very much below actual need. At the least, therefore, cautious optimism seems to be perfectly justifiable. The expansion which has marked our economy from its earliest days has by no means come to an end.

Our population is expanding at a rapid rate. In the last four years, the population grew by 8 million. This means more needs for more things. Our labor force is expanding steadily. This means more hands are seeking work. Our know-how and our efficiency are also expanding from year to year. There were twice as many young men and women graduating from college in 1949 than in prewar years. Our standards, our goals, and our world-responsibilities are all increasing. There are huge markets waiting to be developed, not only in neglected corners on the other side of the earth, but in virtually every city and county in our own country. Needs are far above the present output of our factories, and these needs are growing.

We have the capacity, we have the skilled manpower, we have the markets. In addition, we still have the vision to plan ahead and the willingness to work together. We may justifiably have confidence therefore that our economy will continue to be stable, not in the sense of stagnation, but in the sense of expansion and progress.

High Level of Home Construction Maintained

Survey of National Association of Real Estate Boards reveals 1949 record equalled this year in 83% of cities reporting.

New homes constructed in 1950 will at least equal the 1949 mark in 83% of the 470 cities reporting to the National Association of Real Estate Boards in its 50th real estate market survey.

In one-third of the cities production of new dwellings will exceed last year's total, the reporting real estate boards predicted. Construction of dwelling units throughout the country established an all-time record in 1949.

New dwellings produced so they can be sold under $8,000 have become a significant portion of national housing construction — roughly one-half of it. Increasing volume of "middle income" or lower-priced dwellings and improvement in mortgage money supply for home buyers are powerful forces that are steadily and rapidly normalizing the nation's housing supply.

Despite the fear of continued control, which real estate boards throughout the nation said was the major deterrent to even greater rental building and investment, rental production in 1949 made up 23% of new housing construction, the largest proportion in the nation's history. And rental construction for 1950 is expected to be as great, probably slightly more, according to the NAREB survey.

Max Nierman & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Max Nierman and Philip A. Rashman have formed Max Neirman & Co. with offices at 141 West Jackson Boulevard to engage in a securities business.

Mutual Shares Corp.

Mutual Shares Corp. has been formed with offices at 76 Beaver Street, New York City, to engage in a securities business.

Continued from page 4

Securities Business Primer

few stocks and who buy and sell those stocks for their own account, although they frequently also act as commission brokers for otner members who have orders to execute in those stocks. A third group—odd-lot brokers—buy and sell securities in less than the standard 100-share trading unit. Floor traders are those members who trade solely for their own account. A fifth group — Allied Members—are not really members of the exchange but are the non-seat owning partners in firms which are members of the exchange. We will discuss the various functions and roles that each of these types of members play when we come to study security market operations.

We have spoken of a member firm and have noted that for a firm to be a member of the New York Stock Exchange at least one of its partners must be a member of, that is, hold a seat on, the Exchange. The member firm may have many other partners and these we have already described as allied members of the Exchange. They cannot, of course, transact business directly on the exchange but do so through the partner who is a member or through some other member of the exchange. Allied members generally devote their efforts toward dealing with the public and administering the affairs of the member firm.

All firms which are members of the New York Stock Exchange are partnerships, that is each and every partner has unlimited responsibility. The New York Stock Exchange also has stringent regulations with respect to the operations and financial status of its member firms and their partners, all of which are primarily designed to protect the investing public. For example, a member firm in addition to those requirements we have already discussed must have a minimum amount of capital, it must maintain a stated ratio between its capital and the amount of business it may transact and it is subject to frequent audits by the Exchange.

Registered representatives or customers' brokers are those employees of member firms who by and large deal with the public, providing information to tne investor and taking his orders to buy or sell securities. The Stock Exchange has equally stringent regulations with respect to such employees. They must successfully pass an examination given by the Exchange after they have had at least six months of training. They may not engage in any other activity without the approval of the exchange. They are not permitted to make any guarantees to their customers nor may they share in the profits and losses of their customers.

Listing Requirements

So much for membership in the New York Stock Exchange. We will now examine what requirements a company must meet in order to have its securities listed on the Exchange. In the first place, a company must be a going concern with substantial assets or demonstrated earning power or both. Particular emphasis is placed by the Exchange upon the degree of national interest in the company, its standing in its field, the character of the market for its products, its relative stability and position in its industry and whether its securities are sufficiently widely distributed to offer assurance that an adequate market for these securities exists. In addition to the payment of listing fees, a company must file a report with the Exchange describing its activities, its officers, its financial status, and the distribution of its securities. A company must also agree to provide its security holders with reports on its operations at least semi-annually.

At this point I think it important that we understand clearly that simply because a security is listed on the New York Stock Exchange or any other exchange, this does not mean that the exchange has put its stamp of approval on it as a sound investment or that the security is necessarily of investment quality. It is simply an indication that in the opinion of the exchange there is sufficient public interest in the security to warrant its trading on the exchange. From the point of view of the investing public, the listing of a security on an exchange has this advantage, namely: it provides a greater marketability and assures that certain basic information is made available. From a company's standpoint, considerable prestige is gained and there is a greater opportunity to raise additional capital if needed through the sale of additional securities.

Federal Supervision

All security exchanges are subject to Federal supervision. Under the Securities & Exchange Act of 1934 it is unlawful to effect any transaction on an exchange unless the exchange is registered with the Securities and Exchange Commission.

As we have previously noted, in addition to exchanges, securities are also traded in the over-the-counter market. The over-the-counter market does not operate through any central clearing house or market place such as an exchange but is made up of dealers who within and between offices establish a market for securities by individual negotiations. For example, assuming that a customer wished to purchase 100 shares of the XYZ company which is not listed on any security exchange, he would go to a dealer who would determine the best price at which those shares could be purchased by contacting other dealers like himself who might have customers or who might themselves be willing to sell 100 shares of the XYZ company. Then, as we have previously noted he would purchase those shares at the best price available, acting either as a broker and charging his customer a commission, or first purchasing the shares as a principal and then reselling the shares to his customer at a somewhat higher price.

Dealers are said to maintain a market for a security when they stand ready to either purchase or sell shares of that security at specific prices. For example, a dealer who maintains a market in the security of the ABC company might quote a market of 53-54. In this way he announces that he is ready to buy shares at 53 and will sell shares at 54 without knowing in advance whether he may be called upon to purchase or sell such shares.

The market for an over-the-counter security is thus made up by the combined quotations of all the dealers who are interested in trading that security. As a rule, competition among dealers will keep prices near a uniform level in every issue and the spread between the price at which a customer may sell a security and that which he must pay to purchase the security will be within reasonable limits.

Since the purchases and sales of an over-the-counter security are not concentrated on any one exchange but are separate transactions of individual dealers who are located all over the country, there is no way for all transactions in that security to be recorded as is true of a listed security. However, approximate prices for over-the-counter securities may be obtained by referring to the National Quotation Bureau sheets, which report the bid and ask prices which security dealers all over the country submit each day to the Bureau for those securities in which they are interested. In this quotation sheet, for example, we might see several firms bidding for Abitibi Paper Co. at approximately $20.75 and several offering the stock for sale at $21. These prices are not firm since they represent the bids and asks for the previous day, but through these quotation sheets a dealer can determine what other dealers are interested in the security and at approximately what price the security may be purchased or sold.

Generally speaking, you will find that a dealer does not ordinarily handle each and every security but tends to specialize in the securities of some particular field. For example, some dealers specialize in municipal bonds or United States Government bonds; others may specialize in securities of banks and trust companies; still others will specialize in railroad securities. In part, this is the result of the tremendous number of securities traded over-the-counter. While there are only a few thousand different securities listed on the exchanges of the country, there are many hundreds of thousands of securities traded over-the-counter. No one dealer could be expected to know about or even follow the price fluctuations of such a vast number of different securities.

A second reason for specialization is that in identifying one or more dealers as those principally interested in one field of securities, other dealers can more readily know to whom to turn for executing the orders of their customers and thus greater marketability is obtained. However, while specialization is the rule, most dealers will handle a customer's order in any security. Even if the dealer does not normally trade in that particular security he will contact one of the dealers specializing in the issue and execute the order through such a dealer. A firm which is a member of an exchange can and does handle over-the-counter transactions also through its over-the-counter department.

The question may well be asked what are the considerations dictating that certain securities be listed while the greater number are traded over-the-counter. We have already seen that a listed security enjoys greater marketability. However, if there is little public interest in a security or if there are only a relatively few shares of the security available, this consideration may not be important. While generally speaking the larger companies and the more important companies will be those whose securities are listed on an exchange, you will find that this rule does not always apply. For example, the securities of the Joilet & Chicago Railroad are listed on the New York Stock Exchange but the company owns only 33 miles of road leased to another railroad and aside from its small rentals has no reported income. Moreover, the slight measure of public interest in the security is shown by the fact that there are only 15,000 shares of the company's stock outstanding in the hands of only 54 different stockholders. On the other hand, the securities of most banks and insurance companies, with their billions of dollars of assets, are traded over-the-counter as are the securities of such well known companies as Loft Candy, or the new Minute Maid Corp.

The Joliet & Chicago RR. example used above is, of course, not typical and such instances of listed securities are usually a leftover from the early days of the Exchange. Before the securities of a new or small company are listed now, they are generally traded over-the-counter during the period when the company is growing and proving that it will remain in business. They may then be listed on one of the smaller exchanges or possibly on the New York Curb Exchange. After further seasoning and upon the evidence that there is widespread public interest in those securities they will then be listed on the New York Stock Exchange.

The over-the-counter market is also subject to the supervision of the Securities and Exchange Commission. Dealers, like exchanges, must be registered with the Commission, although such registration does not by any means indicate the Commission has approved of the business operations of the dealer. Regulation of dealers and their practices, in fact, is effected through an organization known as the National Association of Securities Dealers. This Association restricts and disciplines its dealer members in much the same way that an exchange operates with respect to its member firms.

We have previously mentioned the Securities & Exchange Act of 1934 and have noted that the Securities and Exchange Commission provides for Federal supervision of both exchanges and over-the-counter dealers. The Act also prohibits security price manipulation, the dissemination of false or misleading information and the unfair use of "inside information."

For example, a manipulator may not stimulate trading activity in a stock and make it appear in a strong position to deceive buyers who might then become sufficiently interested to purchase the stock at an artificially high price. Similarly, under the Act, it is unlawful to disseminate false or misleading information which might affect a security's price—either upward or downward—and thus induce the purchase or sale of such a security.

Restrictions on "Insiders"

Finally, the Act requires that every person who directly or indirectly owns as much as 10% of any security of a company or any person who is an officer or director of a company file a statement of his holdings of the securities of the company and keep such statement up to date by filing monthly supplements showing any change. Any profits made by

Securities Salesman's Corner

By JOHN DUTTON

The other day I had a talk with an investor friend of mine who told me that just a few days before our conversation, he had a visit from a securities man who wanted him to turn over his whole account on what he called an advisory basis. He told me he didn't do it and he told me why. But the real reason the sale wasn't made was not the reason my friend gave me. I'll tell you what he said and then we'll analyze it together.

Here is what happened. The salesman offered to give my friend full consultation privileges, and supervision of his account. For this he wanted to sell him some unlisted securities from time to time and make a profit thereon. In addition, he offered to handle all listed business on a basis of regular commissions plus 50% more added. The investor who said no to all this told me that he told the salesman that he wouldn't want to take his information and then be placed in the position of being tempted to buy or sell through someone else. He also said that when the salesman heard that he had about 30% of his total funds in one company, that he wanted him to go to work immediately and start to dispose of this holding.

The real reason why this salesman did not get the account was of course, **no confidence**. Bad enough when he went right to work hammer and tongs on his idea without proving to his prospect that he was first able to handle his account properly; and second, that he was truly interested in his prospect's welfare. It is almost unbelievable that salesmen will go out and try to close business before they have prepared the way. A man's money is a mighty important matter and not to be handled lightly. You don't make money so easily today — you can also lose it mighty quick. All you have to do is to make a few wrong moves. Now let us look at the right way to make this sale.

(1) **Make Contact**—Your prospect has an investment problem. Find it. Work on it. Discuss it intelligently. Start him talking. Make notes. Stress the confidential aspects of your discussion. Prove in this first interview that **you are able to do the job by the way you obtain information, and your attitude toward his problem.** Take it easy. Offer him an opportunity to do some thinking. Tell him a bit about what your firm does in building investment programs for others. Not too much. Tell him you want to study over what you have talked about. Make an appointment if possible for further discussion when you will come back with some specific suggestions.

(2) **Clarify**—You have found his weak spots in the first call. You knew them as soon as he started to tell you he had 23 different securities and 30% in one company. You showed him you were ready to give the matter the consideration which it warranted. You went back to your office and you did some work. You laid out some weaknesses in his plan. You then showed him something in black and white. You now are beginning to demonstrate that **you can perform a service.** He is becoming interested.

(3) **Clincher**—But you must have a place to make a start. So you suggest a correction of one point. Possibly you start with a partial reduction of the too heavy holding—you suggest a new industry in which he now has no representation. He is interested. Then you offer him a service of watching his holdings constantly—calling weaknesses to his attention—or making him up a review every three or six months and you tell him why this is necessary. You tell him you can take his investment burden off his shoulders—that you are there to consult at any time. For this work, however, you must charge him a fee to compensate you for the expense and added work involved. You then discuss the charges—**you sell right.**

How any one could ever expect to sell securities without building confidence is beyond me. But if you want to set yourself up as an investment advisor you had better make sure you are one. If so, you won't think of anything else but the problem before you—that means first of all an understanding and appreciation of the extreme importance of the other fellow's financial welfare. He'll pay you whatever you ask—once he thinks you know how to help him—not before!

such an insider within a six-month period, moreover, may be regained by the company for the benefit of all its security holders.

Federal legislation to protect the investor is also provided by the Securities Act of 1933. Under this Act, the issuer of a new security issue must file with the Securities and Exchange Commission a registration statement, and a prospectus containing the pertinent facts in that registration statement must be delivered to all purchasers of the security. The registration statement and prospectus must contain pertinent facts about the company and the security being issued including the following: (1) the purpose of the issue; (2) the price at which the issue is being offered to the public and how much of this will be retained by the company; (3) stock option agreements, if any; (4) underwriting profits; (5) salaries of principal officers; (6) detailed financial statements including company's capitalization, balance sheets and earnings for previous years as well as its most recent statements; (7) names and addresses and stock ownership of officers and directors and any stockholders owing more than 10% of any security of the company. In the event the issuer has made any untrue statement or has omitted any material facts, a purchaser of the security may sue to recover any losses.

The Investment Company Act of 1940, as we shall see when we discuss investment trusts and mutual funds, also affords certain protection to investors by its requirements with respect to these investment media.

New Issues

In closing our discussion of security markets, we should also say a word about new security issues. For the most part, investors will be concerned with the existing securities of proven companies. However, from time to time, new companies are established which turn to the public for financing, while going concerns also issue additional securities to pay off maturing obligations, or provide funds for expansion. As we shall see later, the conservative investor will not usually be interested in the securities of new companies but the new securities of proven companies may often be of interest.

Investment Banking

New securities when sold to the public are generally brought to the market through what is known as an investment banking house. The investment banker is a middleman who sets up the machinery for the sale of these securities and he is paid a small proportion of the sale price of the security for his efforts. A few securities are sold directly by a company to the public but this direct method of sale is not usual.

Up until relatively recent years, an investment banker handling a new security issue of a company would purchase that issue to resell it at a higher price, the difference in cost and selling price representing his profit. In other words, the investment banker assured the issuing company the money from the sale of the securities, taking the risk that he would then resell those securities to the public at a profit. Hence, the use of the term **underwriting** in this connection. Even if the issue did not fully sell or was eventually sold at a lower price, the company was assured of receiving the set amount, and the underwriter took the loss. More recently, many new security issues have been sold on what is known as a "best efforts basis." This means that the investment banker agrees to do his best to sell the securities to the public but he does not actually buy them from the issuing company so that he assumes no risk if any securities are not sold. In the latter instance, the investment banker is not acting as an underwriter but as a selling agent and his compensation is not for the risk he assumes but for the efforts and expense made in connection with the security sales.

Generally a "best efforts basis" distribution will be made when the market is depressed and there is considerable question as to whether the new securities can be sold. This type of distribution is also used in connection with the sale of a highly speculative security, for example, a new gold mining company or a new "wild cat" drilling operation.

Sometimes, a going concern will issue new securities and give its present shareholders the right to purchase those securities at a favorable price relative to the going market. In this case, an investment banker will simply agree to purchase at a stated price any securities not taken up by the company's present stockholders thus assuring the company of the sale of its securities.

Thus, in the case of the recent issue of 454,457 shares of common stock by the Consumers Power Co. which were offered to the company's stockholders at $34.25 per share on the basis of one new share for each ten shares held, the underwriters agreed to purchase any unsubscribed shares at this price for which they would receive a commission of 90 cents. Actually, the stockholders purchased some 416,208 shares and company employees another 21,287 shares, leaving the underwriters responsible for purchasing only 16,962 shares. The company thus assured itself of the sale of more than $15 million of securities for an underwriting cost of only some $15,000. (We shall discuss the subject of rights more fully in next week's lecure dealing with security market operations.) Actually, for most large sales of securities, no single investment banking firm handles the entire underwriting by itself.

Usually, one firm will initiate the arrangements with the issuing company and then invite other investment banking firms to join in the distribution. The initiating firm is known as the "originator" or "group manager" while the selling firms collectively are called the purchase group. Each investment banking firm is responsible for its designated share. Thus, in the case of the recent sale by the Consumers Power Co. which we have just examined, the investment banking firm of Morgan Stanley was the group manager responsible for some 6% of the shares while some 78 other investment banking firms participated with obligations ranging from one-third of 1% of the issue to 3.15%. Some times underwriters will give a portion of their selling fee to other brokers and dealers for selling the new security. Such other brokers and dealers collectively are designated as the "selling group" and should not be confused with the underwriters who collectively, as we have seen, are called the "purchase group." The selling group does not assume any risk and is simply a further channel for distributing the new securities.

No Basic Change in Long Money Rates: Nadler

In informal talk to officers of Central Hanover Bank & Trust Co., economist says future trend will depend largely on Federal Reserve open market operations.

Addressing officers of the Central Hanover Bank and Trust Co. of New York on "The Outlook for Money Rates," Dr. Marcus Nadler, Professor of Banking and Finance at New York University, asserted that no basic change from present interest rate pattern is expected. "The pattern of long-term rates was set during the war," Dr. Nadler pointed out. "Since a direct relationship exists between short- and long-term rates and since a deviation from the 2½% long-term rate cannot be visualized, one cannot really see any material change in the rate structure. At present we are witnessing a moderate firming in short-term rates. This will continue as long as business activity is on the upgrade. Should business activity begin to decline, however, one can expect a softening in the short-term rate. In my opinion, the degree of fluctuation in the certificate rate, the most important in the short-term money market, will be between 1% and 1¼%.

Dr. Marcus Nadler

While this is a considerable fluctuation percentagewise, it actually is relatively little. The same may be said about long-term rates.

"During the last few weeks, we witnessed a moderate firming of long-term rates brought about primarily by the sale of Government obligations by the Federal Reserve Banks. Should business activity tend to decline, and should deflationary forces become more apparent, then one can expect a reversal in the present policies of the Reserve authorities. The future trend of long-term rates will depend to a very large extent on the open market operations of the Federal Reserve Banks. However, no material price changes are to be expected.

"How will the credit policy of the Reserve authorities and the refunding operations of the Treasury influence the banks? I believe one may state with confidence that holdings of securities by the commercial banks in 1950 will increase. They will hold more Government obligations because there will be more outstanding and they will hold more tax-exempt securities. The increase in the holdings of securities by the commercial banks will bring about an increase in the volume of deposits. Hence, at the end of 1950 the total volume of bank deposits ought to be larger than at the end of 1949."

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Factors in Approaching Depression

Federal debt and tax rates were low. It was accordingly possible for government purchases of goods and services in 1937 to constitute 13% of Gross National Product compared to 9% in 1929. Yet this did not achieve full employment. Now Government purchases are 17% of Gross National Product. How much more can they be increased to compensate for a prospective decline in private spending? Congress seems to be quite concerned about the high Federal debt and tax rates which are deterring both consumption and investment. Will it be politically feasible to launch additional spending programs to prevent a forthcoming depression?

Summary of Depression Causes

The foregoing economic maladjustments are brought together for comparison in the following table. It is interesting to note that in 1937 the percent of these maladjusted expenditures to Gross National Product was about the same as in 1929, and a depression ensued 'till World War II came along. Note the percentages are now greater.

Factors of Economic Instability

Ratio—	1929 Billion	1929 %	1937 Billion	1937 %	Recent Rate Billion	Recent Rate %
Gross national product	$104	100.0	$90	100.0	$256	100.0
Consumer durable goods	9	8.3	7	7.8	26	10.0
Instalment credit increase	0.5	0.5	0.4	0.5	3	1.2
Producers' equipment	6	5.5	5	5.5	19	7.4
Net exports	1	0.9	0	0.0	4	1.6
Government purchases	9	8.7	12	13.0	44	17.0

Our Unsound Financial Condition

It is frequently stated that our strong financial condition will prevent a depression. Unfortunately the facts indicate some financial conditions are worse than prewar and about the same as in 1929. Exceptions to this statement are the improved financial conditions of farmers and railroads. Consumers and manufacturing corporations are in poor condition to withstand further declines in either production or prices.

Consumer instalment debt, as shown in the table below, is higher relative to Disposable Income than in 1937 and 1929. **Residential mortgage debt** is still somewhat below the prewar ratios but is approaching them.

Bank loans are dangerously high relative to bank capital, as shown in the table below. Loans are now about four times as large as capital—the same as in 1929 and 50% above 1937. This means a 25% loss on loans would wipe out capital and make a bank insolvent. Of course, no one predicts such losses will occur, but banks may act quickly to call loans when signs of economic distress appear, in view of their inadequate capital.

Manufacturing corporations were short of cash at the end of 1948, according to a special study by the SEC. The ability of a corporation to pay its current debts under adverse business conditions is measured by the ratio of cash (and equivalent) to current liabilities. This ratio for manufacturing corporations was 0.84 at the end of 1948 compared to 1.42 at the end of 1939. It has probably improved in the past year as inventories have been reduced. The next report from the SEC on this subject should be considered most important. The quarterly reports on working capital from the SEC conceal the weak financial condition of manufacturing corporations by throwing them in with the financially strong railroad, trade and financial corporations.

Summary of Financial Conditions

The following table compares the significant financial ratios discussed above with their magnitude at previous peaks in the business cycle.

Private Debt Ratios

Ratio—	1929 %	1937 %	Recent %
Instalmt. credit incr. to consumer durable goods	5.3	5.7	13.0
Instalment credit outstdg. to disposable income	3.9	5.6	6.0
Residential mtges. outstdg. to disposable income	23.6	23.6	20.0
Bank loans to bank capital	3.9	2.6	3.9

The Judgment of Investors

The steady rise in stock prices since June, 1949 has misled some analysts into believing investors are confident about the economic outlook. The following statistics indicate investors with the longer term viewpoint are rather pessimistic.

Debit balances of stock exchange customers have risen sharply to the level prevailing in the Spring of 1946 a few months before the stock market crash. While some customers have bought more stocks on margin, reports to the SEC show that all customers as a whole have sold about five million shares on balance since May, 1949. This means those who buy for cash, have been liquidating stocks.

Open-end investment trusts (which invest for small investors impressed with recent high yields) have bought on balance about $100 million in stocks during this period, but **closed-end trusts** (which exercise more judgment) have sold stocks.

Stock exchange partners (off the floor) have bought about six million shares on balance since May, 1949. While they are well informed speculators, they have a relatively short-term viewpoint in their stock market transactions.

The short position has risen steadily to the largest number of shares in 18 years. Several facts indicate those who have sold short, have a sophisticated long-term viewpoint. They are not scared into "covering" when their stocks rise, nor do they "cover" for quick profits when their stocks fall. The 20 largest short positions in terms of market value are in stocks which appear to be very cheap in relation to current earnings and dividends. Most of them "yield" about 10% compared to 7% for all listed stocks. The three largest short positions are in Chrysler, General Motors and Studebaker. The remaining 17 consist mostly of steels and railroads. Those speculators who have steadily increased their short position, confirm by their choice of industries the foregoing economic analysis indicating a forthcoming decline in the demand for durable goods.

Conclusion

There is important statistical evidence that we are approaching a depression in worse condition to weather it than in 1929. Our government is more determined to prevent a depression, but its resources for doing so have been greatly depleted in recent years. The depth and length of a depression, of course, depend much upon the decisions made by producers, consumers and government bodies after it starts. If most of these decisions lead to a speedy correction of the maladjustments causing the depression, it may be mild. Wrong decisions would greatly prolong it. Let us hope our efforts to correct these maladjustments will be wiser and more effective than they were in the 1930's.

The foregoing analysis does not indicate how soon a depression will come. For example, credit analysis in 1928 indicated the rise in stock prices at that time was based on an unsound use of credit in stock market speculation. Yet the inevitable crash did not come until October, 1929. Just so, credit analysis now indicates the recent rise in consumer durable goods spending is based on an unsound use of instalment credit, but no one can predict exactly how far it will go. In 1939 the ratio of consumer credit to disposable income was slightly higher than in 1929, but it continued to rise further until the end of 1940. The trend of retail sales of durable goods (especially autos) should accordingly be watched carefully for a clue as to when a depression is imminent.

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So. Pac. 3's of 1960—Convertible Investment Opportunity

the prosperous St. Louis & Southwest it dominates Texas.

Its growth is evidenced by total receipts of $587 million in 1948 against $225 million in 1937, $200 million in 1938 and $250 million average in 1939, 1940 and 1941. In 1942 it reached $472 million and $597 million in 1943 which has been substantially maintained. The road's share of national revenue had risen to 6.26% in 1949 from 5.40% in 1940 and from 5% in 1929. It has $568 million funded indebtedness which is a reduction in fixed charges from 20% to 33% since 1932.

In 24 years 1908-31 Southern Pacific maintained dividends at an annual rate of $6 per share. It earned $12.70 per share in 1929. Little, if anything, was earned until 1941 when it earned $9.21 per share, then an average of $15 per share annually in the 3 years through 1942, '43 and '44. Thereafter in the years 1945 through 1948 it earned $8.77, $6.70, $8.36, $10.27 respectively per annum and $8.08 in 1949. To this should be added the undivided profits of St. Louis and Southwestern equal to approximately $1.31 or $9.39 instead of $8.08; that year 1949 was a poor railroad year as against 1948, when net earnings were almost 50% over 1949 of which note should be taken.

Notwithstanding its earnings, the stock sold between 6½ and 65⅝ between 1936 and 1944 in which latter year it sold between 23 and 43. In 1945, the stock sold between 62 and 38 and in 1946 between 38 and 70, in 1947 between 50 and 34, in 1948 between 62⅝ and 43½, in 1949 between 51 and 32½ and in 1950 between 54⅝ and 49¾. It is now selling around 52½.

After a lapse of 10 years, dividends were resumed in 1942, paying $1, and paid $2 and $2.50 in 1943 and 1944 consecutively; $3.25 in 1945, $4 each in 1946 and 1947, $4.50 in 1948 and $5 in 1949.

The Southern Pacific has $85,700,000 working capital which is substantially in cash as of Dec. 31, 1949. The dieselization of the road is in progress and it is expected will continue to completion, which has been paying substantial dividends in effective lowering of the transportation ratio; this has declined over ½% of 1% in the first nine months of 1949 while that of the industry remained constant.

Aug. 27, 1949, A. T. Mercier, President of the Southern Pacific, stated that he expected the company to replace all but its newest and most efficient steam locomotives by diesels by the end of 1960.

Mr. Marshall Dunn of the organization of Wood, Struthers & Co., in an exhaustive article in the "Commercial and Financial Chronicle" of the 9th instant, in appraising the ratio of nine factors determining soundness and efficiency of railroad operation including maintenance, transportation, wage and operating ratios, net ton-miles per loaded car mile, gross ton-miles per train hour, sales as measured by ton-mile figure and revenue freight, freight density, coverage of fixed charges over 10 to 20 years, has rated the 42 Class I Railroads in the order of their comparative superiority in these factors. He also carefully compiled the increase of their gross and operating revenue as of the improvement of the period of 1944-1949, 1940-1949 and 1949 severally over the periods of 1938 and 1940. In that order of precedence, Southern Pacific was 10th in each case except in the last instance, 1949, superiority was 13th for Southern Pacific but was rated 6th in the order of preference for the acquisition of securities of the 42 Class I Roads.

The common stock is the only stock outstanding. The road has given little to stockholders and since 1938 has earned about $356 million of which about $94 million has paid to stockholders, while approximately $262 million has been spent on the property; this amount could have cut the debt almost in half and for 11 years could approximate $25,800,000 annually. This does not include depreciation but consists of the writer's "across the boards" calculation on actual net income received. No wonder the management felt they should pay $5 annually.

We should thus be influenced by the value of the bond and the value of the equity and the income.

The Southern Pacific Railroad thus evidences the elements of a growth stock in a growth territory. Other income since 1936 has averaged $8¼ million annually with a high of $11 million and a low of $7 million. It has averaged cash working capital around $92 million annually through the last eight years as against $40 million in 1941, $20 million in 1940, $8 million in 1939 and $200,000 in 1938.

Population gained in the States of Washington, Oregon and California 43%, 49% and 45% respectively in 8 years to July, 1948 against 7% in New York, 8% in Pennsylvania; while the Western States as a whole gained 34%, the Northeastern and Northcentral States gained only 9%.

Starting in 1939, operating economy brought about a recovery that has continued to date. In 1938 gross traffic was $200 million with a deficit of $6.8 million income as against earnings in 1948 of $38.8 million or $10.27 per share and gross traffic of $587 million.

This recovery need only mean that the Southern Pacific can pay $5 annually and maintain its present rate of growth. That would make it an outstanding equity purchase, which may be expected but not assured. However, the opportunity to buy the stock in terms of a sound obligation on a modest scale of conversion should not be overlooked nor ignored.

Waddell & Reed Add

(Special to The Financial Chronicle)

KANSAS CITY, MO.—Clare M. Chitty and T. A. Walters are now with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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As We See It

pending upon the choice of the employer. They could be invested much as an insurance company or a trust company would invest them — which, in this day and time, would probably be in large part to buy obligations of the United States, although certain types of obligations of private industry would be in order. They could be employed as are depreciation reserves or as undistributed earnings are employed — that is, for the most part, merely "invested in the business" in such a way as to promote, or so it is hoped at all events, the efficiency or the volume of business done. Closely related to this latter way of handling the matter would be the practice of a relatively few employers who merely assume pension liabilities without any specific provision for their payment, thus proceeding on the assumption that the business will be managed in such a way that it will maximize funds out of which such charges would be paid when they come due some time in the future.

Some Observations

Now let us view all this as would some informed man from Olympus who has no particular personal interest in it. First of all, we are certain that such an observer would wonder how accurate the determination of future liabilities under these arrangements are or can be in the circumstances. There are, of course, a substantial number of variants in the details of these plans. Doubtless in a number of instances the precise meaning of some of the terms will be matters of dispute in the years to come. But much more important for the moment is the fact that experience furnishes very scanty data on which to compute future claims under many of these contracts—indeed, perhaps, under most of them. The general public is much too prone to suppose that "applying the insurance principle" to such situations is mere routine. It is no such thing, of course, and one result is that an appreciable error of computation must be allowed for if someone, somewhere is not presently to suffer financial embarrassment.

But there are more profound problems. Careful analysis will, we believe, reveal to the observing that no matter how the financing of these pensions is arranged, they result, as they grow in aggregate size, in a significant increase in the degree in which the economy of the country operates upon a basis of fixed charges. It is clear that as this movement grows, more and more individuals are promised fixed sums in the future, and business enterprises more and more have committed themselves to the payment of these fixed sums.

Not Cured by Altered Investment Rules

The fact is, moreover, that this state of affairs will in substantial part remain even if practices about the investment of trust funds and the like are changed. It has often been said of late that with the enormous increase and prospective increase in the volume of funds accumulated on account of the increase in the volume of pensions, a liberalization of the laws which now severely restrict the employment to which trust funds may be put is now or presently will become all but necessary. To fail to do so would, it is repeatedly observed, tend to disrupt what we regard as normal investment markets, create a demand for fixed obligations disproportionate to that for equity investments, and more of the same order. The result would be such low interest rates and such costly equity capital that more and more of American business would be operating with unwarrantedly large fixed charges—or that an artificial market for government obligations would be created which would add to the temptation to public borrowing.

Now it seems to us that there is a good deal of substance in these arguments, however difficult the task of finding a satisfactory solution to the problems presented. An indefinitely growing volume of funds seeking fixed obligations could scarcely fail to drive interest rates down to a point where the net return to the owners would be almost negligible, and certainly we need no further incitement to the increase in fixed debt, whether private or public.

But would alterations in the nature of the investments into which pension obligations are placed really relieve the basic situation, which seems to us to be found in the fact that an enormous increase in fixed obligations has been created. These pension claims are for the most part, in one form or another or in one way or another, fixed obligations, no matter in what form the reserves against them are invested.

Here is an aspect of the matter which deserves more attention than it seems to be getting at this time.

Doody Partner in Harrington Firm

John A. Doody has become a general partner in the firm of Gregory Harrington & Co., 25 Broad Street, New York City, dealers in state, municipal and revenue bonds. Mr. Doody was formerly a vice-president of Herbert J. Sims & Co., Inc., and prior thereto he was associated with Ranson-Davidson & Co., Inc.

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The Problem of Old Age Security

the pension that he receives—he simply assures himself of a better standard of living in his old age. This is in contrast to old-age relief based upon a means test. When a means test is used, the man who has been thrifty and who has provided for himself gets nothing; the man who has partly provided for himself gets small benefits; the man who has made no provision for himself gets the largest grant. Such a system is equivalent to a series of rewards for not being thrifty and self-reliant. Old-age insurance by avoiding the use of a means test, avoids discouraging thrift.

In the third place, old-age insurance which relates benefits in some measure to the prior earnings of workers helps protect men from too drastic a drop in their standard of living on retirement. The standard of living of workers obviously tends to vary with their earnings. Since the purpose of old-age security is to protect men against having to make too drastic cuts in their standard of living when they retire, pensions should vary in some measure with past earnings. Flat benefits, which are not related to earnings but are the same for everyone, would assure that there would be only an arbitrary relationship between men's standards of living before retirement and their standards after retirement. Under a scheme of flat benefits, the benefits that would be about right for some workers would be too small for many others and possibly too large for a third group.

In the fourth place, a Federal system of old-age pensions should be the foundation of the country's system of old-age security because it can be applied to all members of the labor force and can be made as broad, therefore, as the problem with which it is supposed to deal. This method of meeting the problem does not depend upon the willingness of an employer to grant pensions or upon the bargaining power of unions and their ability to compel employers to grant pensions. Furthermore, a system of old-age insurance can be applied to the self-employed as well as to employees. Since about one out of five workers in the United States is self-employed, it is necessary that the scheme of old-age security be applicable to the self-employed as well as to employees.

III

What are the reasons for believing that the present Old-Age and Survivors' Insurance Act is not doing the job expected of it?

The members of the Advisory Council were unanimous in believing that the present Old-Age and Survivors' Insurance Act is not doing the job expected of it. There were three principal reasons for this conclusion.

One reason was that, even after 13 years, only about 39% of the male workers who reach 65 years of age would receive benefits if retired. Hence, it is plain that many people who need to receive protection from the system are not getting it. The principal reason why they are not receiving protection is that the Old-Age and Survivors' Insurance Act applies to only about three out of five jobs. Another reason is that eligibility to receive benefits is determined by the proportion of time that a man spends in covered employment, not by the proportion of time that he is at work. A man may be quite steadily employed and still not qualify for a pension if he is one of the many workers who move back and forth between manufacturing, which is covered, and agriculture which is not. At the present time, half again as many people are drawing old-age assistance as are drawing old-age pensions—2.7 million are receiving old-age assistance and about 1.9 million, old-age pensions.

A second reason for believing that the Old-Age and Survivors' Insurance Act is not doing the job expected of it was that the average pension is too small and is considerably less than the average payment for old-age assistance. The average pension for a single person averages about $26 a month and the average pension of a retired person with one dependent less than $40 a month. The average monthly payment under old-age assistance is about $44.50. Although the recipients of old-age assistance are half again as numerous as recipients of old-age pensions, total payments for assistance are nearly two and a half times as large as payments for pensions. The principal reason why pensions are small is that the benefit formula is too low even for workers steadily employed in covered industries. It provides a pension of only 40% of the first $50 of monthly earnings plus 10% of the next $200 of monthly earnings, plus additional allowances for dependents. In addition, the benefit formula provides that, in computing average monthly life-time earnings, time worked in uncovered industries shall be counted, but makes no provision for counting the money earned in uncovered industries.

A third reason for believing that the Old-Age and Survivors' Insurance Act has not done the job expected of it was that the average monthly pensions under it have not kept pace with the rise in the cost of living or the rise in per capita income. Average monthly pensions have increased 14% since 1940 while the cost of living has risen over 68%, average weekly wages in manufacturing have risen 117%, and the average per capita income of the country has increased 132%. During the period that average monthly pensions were increasing 14%, average monthly old-age assistance payments more than doubled. The purchasing power of pensions is 32% less today than it was ten years ago.

Pensions ought to bear a more or less constant ratio to the average earnings of persons. Otherwise they do not give people the required help in maintaining their customary standards of living. Part of the explanation of why the increase in the average pension has been far less than the increase in the average wage is that, as monthly earnings rise from $50 a month to $250 a month, the primary pension increases only $10 for each $100 increase in earnings. Thus a man whose average life-time earnings had risen from $150 a month in 1940 to $250 a month at present would have been entitled to a primary pension of $30 a month then and to a pension of $40 a month now—an increase of only 30% in his pension though his earnings had increased by 67%. This ignores the effect of the 1% annual increment which raises the pension that a man receives by 1% for each year of his employment in covered industry. Another part of the explanation why the increase in pensions has lagged behind the increase in wages is that only wages up to $3.000 a year count in computing the average earnings on which pensions are figured. As wages have gone up, more and more workers earn more than $3,000 a year. In 1948, about one out of four among all workers earned more than $3,000. Still another part of the explanation why pensions have increased more slowly than wages is that pensions are computed on the average monthly wages of each worker over his lifetime. Although the average worker is earning more than twice as much today as he was earning ten years ago, his lower earnings of ten years ago help bring down the monthly average of earnings on which his pension is computed. All in all, the present methods of computing pensions assure that pensions will be slow to rise whenever wages increase.

IV

Why does the Advisory Council believe that improvement of the act along the lines indicated by its 22 recommendations would enable the Old-Age and Survivors' Insurance Act to do the job expected of it and to become the foundation of the country's system of social security?

In the first place, the recommendations of the Council would extend the protection of the act to virtually all of the 25 million jobs not now covered. Obviously one cannot expect a program to give protection to people whom it does not cover. Consequently, expansion of coverage of the Old-Age and Survivors' Insurance scheme is of basic importance. Coverage was originally limited because of the administrative difficulties in applying the scheme to such groups as the self-employed and to some kinds of workers, such as domestic workers and farm laborers. As Mr. Folsom, a member of the original Advisory Council to the Committee on Economic Security in 1935 has pointed out, it was not the intention to exclude permanently the uncovered workers from the protection of the scheme. Both the Bureau of Internal Revenue and the Social Security Agency have studied carefully the administrative problems of extending coverage. Both agencies have had the benefit of 12 years' experience administering the present act. Both believe that there are today no insurmountable administrative obstacles to extending the insurance scheme to the 25 million jobs not now covered.

H. R. 6000 proposes that about 11 million additional jobs be brought under the Old-Age and Survivors' Insurance Plan. This is a step in the right direction, but it would bring under the act substantially less than half of the jobs that are not now covered. Large and important categories, such as farmers, many farm laborers, and a number of professional groups, would still be deprived of protection of the scheme.

The incomplete coverage proposed in H. R. 6000 raises basic questions as to where and how uncovered groups would get security for their years of retirement. Nearly all of the groups left uncovered by H. R. 6000 are groups that cannot be expected to be covered by private pension plans, initiated by employers or negotiated by trade unions. Apparently the philosophy of H. R. 6000, therefore, is that the uncovered groups should either be able to take care of themselves or should be expected to rely upon charity. Is it realistic to assume that all members of the uncovered groups will be able to take care of themselves? For those who are not, is it fair to expect them to rely upon charity? Have we a right to assume that farmers and the professional people do not need the protection given by the Old-Age and Survivors' Insurance plan? Is farming so free from economic hazards that farmers should be left to take their chances with old-age assistance? Likewise, are the professions such secure callings that architects, engineers, lawyers, doctors, and dentists do not need the protection which old-age and survivors' insurance would give them? Can every lawyer, every architect, every engineer count on reaching the age of 65 or 70 with adequate savings to provide for the years of his retirement? Certainly the people cannot expect old-age and survivors' insurance to be the foundation of the country's system of old-age security if large parts of the population are excluded from the plan.

With the present limited coverage, but with the more liberal eligibility requirements recommended by the Council, it is estimated that even as late as 1955 only from 46% to 52% of the men attaining the age of 65 will be fully insured. Furthermore, even as late as 1955 only from 39% to 44% of the men of 65 years of age or more in the population will be fully insured. This means that under the present act more than half of the population, even in 1955, would have to depend upon old-age assistance rather than old-age and survivors' insurance.

In the second place, the recommendations of the Council would liberalize the eligibility requirements for pensions so that older workers who are newly covered by extension of the Old-Age and Survivors' Insurance Act to new industries will soon become eligible for pensions. Unless the present provisions for eligibility are modified, all persons covered for the first time in January, 1951, who attained age of 59 after 1950, would have to have 10 years of coverage before they would be eligible for pensions. Even newly-covered persons who reached 65 years of age in the year 1951 would need seven more years of steady employment (28 quarters) before they could receive pensions. It would obviously do little immediate good to extend the act to the 25 million uncovered workers if the eligibility requirements for new workers remain as strict as at present. H. R. 6000 makes a little improvement over the present law, but even H. R. 6000 would require 20 quarters of coverage, or five years, for newly-covered employees to become eligible for pensions.

The Council recommends that the extension of coverage to new industries be accompanied by a "new start" in eligibility requirements that will require the same qualifying periods for older workers as was required for persons who were the same age when the system began operation in 1937. The Council believes that a minimum of six quarters of coverage should be required. It recommends that requirements for fully-insured status should be one quarter of coverage for every two calendar quarters elapsing after the year in which coverage is extended or after the quarter in which he attains the age of 21, whichever is later, and before the quarter in which he attains the age of 65 (60 for women) or dies. This would mean that persons who had reached the age of 62 before coverage was extended could be fully insured by working half the time in the next three years. This eligibility requirement, combined with the extension of old-age and survivors' insurance to the 25 million jobs now not covered, would raise substantially the proportion of males who are fully insured on reaching the age of 65. By 1955 this proportion would be approximately 66% to 74%. Unless a very high percentage of persons who reach the retirement age are eligible for pensions, the Old-Age and Survivors' Insurance Act obviously cannot do the job expected of it.

In the third place, the recommendations of the Advisory Council would substantially raise the average monthly benefits. It is plain that the Old-Age and Survivors' Insurance Act cannot be expected to do an adequate job if the pensions received are less than the average old-age assistance benefit granted after a means test. Nor can the act do an adequate job if the pensions payable under it are so small in relation to average earnings that they fail to prevent a very drastic drop in the standard of living of retired workers. The primary insurance benefit for a worker with ten years of coverage under the present act and with average monthly wages of $200 is less than one-fifth of his monthly wage and, if he has one dependent, his total benefits are less than 30% of his average monthly wage. Obviously such pensions are far too small.

The Advisory Council has made three types of recommendations designed to raise the average benefit. One recommendation is that the benefit formula be liberalized—that benefits be 50% of the first $75 of monthly wages instead of 40% of the first $50, and 15% of additional wages up to the amount of the tax base instead of 10% as at present. Another recommendation is that the benefit base and the tax base be raised from $3,000 a year to $4,200. Still other reccommedations pertain to liberalizations in the benefits payable to dependents. The most important of these recommendations is that women may qualify for old-age benefits (either primary or supplementary) at the age of 60 instead of 65. During 1948 only 196 of every 1,000 married men who claimed benefits at age 65 had wives who were 65 or over and entitled, therefore, to dependents' benefits under the present law. On the other hand, 565 out of every 1,000 married men claiming benefits at age 65 had wives who were at least 60 years of age and who would receive dependents' benefits if the recommendations of the Council were adopted. In other words, the recommendations of the Council would increase by over three and a half times the number of cases in which wives' benefits are paid when the husband retires at the age of 65.

The total effect of the recommendations of the Advisory Council would be to increase the average pension paid under the Old-Age and Survivors' Insurance scheme by about 100%. This would be an important improvement. Nevertheless, I do not believe that the recommendations of the Council go far enough. To begin with, the formula proposed by the Council is not sufficiently liberal, particularly for the workers earning above $75 a month. The Council recommends, as I have pointed out, that pensions be 50% of the first $75 of average monthly earnings plus only 15% of the next $275 of monthly earnings. This formula would give a primary pension of $37.50 for workers earning $75, of $48.75 for workers earning $150 a month, and of $63.75 a month for workers earning $250 a month.

H. R. 6000 proposes that the primary pension be $50 for the first $100 of earnings. Several members of the Advisory Council, Mr. Folsom of the Eastman Kodak Co., Mr. Rieve of the Textile Workers Union, CIO, and Mr. Cruikshank, the Social Security expert of the AFL, have expressed agreement with this feature of H. R. 6000, and I share their views. The benefit formula of 15% of wages between $75 and $350 a month does not provide a large enough spread between the pensions received by persons with low earnings and persons with higher earnings — though the Council provides a greater spread than the formula in the present law or that proposed by H. R. 6000.[1] If pensions are to protect the standard of living of workers who retire, they must be fairly closely related to previous earnings. Certainly a rise of only $10 or $15 in pensions as average monthly earnings increase $100 does not provide a very close relationship between earnings and pensions, and is not fair to the

1 The present law provides that primary pensions shall be 40% of the first $50 of monthly wages and 10% of wages from $50 to $250; H. R. 6000 provides that primary pensions shall be 50% of the first $100 of monthly wages and 10% of wages between $100 and $300 a month.

skilled workers. The primary pension recommended by the Council is about one-third of the earnings of a man making $150 a month, a little more than one-fourth of the earnings of a man making $250 a month, and only 22.5% of the earnings of a man making $350 a month. Two members of the Council, Mr. Rieve and Mr. Cruikshank, have recommended that the rise in pensions above the basic amount be 20% of additional earnings. I am in favor of at least a 20% increase in pensions for each rise in average monthly earnings above the basic amount, but I believe that a 25% rise would be preferable. Such a rise would give a man with average monthly earnings of $200 a month a primary pension of $75 (assuming the formula provides for a pension of 50% of the first $100 as in H. R. 6000) and a man with average monthly wages of $300 a month, a primary pension of $100. Certainly such a spread in the pension received by men with a difference of $100 in monthly earnings is not too large.

Finally, I believe that the limit of $4,200 on the benefit base and the tax base recommended by the Council is too low and is unfair to many skilled workers and to foremen and others in the lower ranks of supervision. The upper limit of $4,200 in the benefit base means that no earnings of more than $4,200 a year produce an increase in a worker's pension. There are many skilled workers, straw bosses, foremen, assistant foremen who earn from $5,000, $5,500, to $6,000 a year, but under the recommendations of the Council these men would receive no greater pensions than men earning only $4,200 a year. Indeed, in the year 1948, 17% of the male workers who earned wages in covered industries in all four quarters earned more than $4,200. Why refuse to count any of these earnings over $4,200 in computing the pension that the man receives?

The primary pension for a worker earning $5,000 a year, if the pension were 50% of the first $100 and 15% of the additional earnings up to $4,200 a year, would be only $87.50 a month. It is not satisfactory to expect all men who receive more than $4,200 a year to depend on individual savings or on company pension plans. About 22% of persons with incomes of $5,000 or more in 1949 had liquid assets (bank deposits, government savings bonds, and stocks and bonds of private corporations) of less than $500 and 45% had liquid assets of less than $2,000. Business enterprises themselves do not expect these men to depend on individual savings because they establish generous pension plans for executives. But almost all of these company pension plans tie a man to one company and penalize the man who moves from one employer to another. When one considers the serious deficiencies of company pension plans, one reaches the conclusion that skilled workmen and foremen should not be dependent to any considerable extent upon them.

I am not in favor of increasing the tax base and the benefit base for the purpose of increasing the income of the pension fund. Nevertheless, if the benefit base is increased, the tax base should be correspondingly increased because the two should be the same. As a matter of fact, the increase in the tax base above $4,200 would not produce much new tax revenue.

V

When the present Federal Old-Age Pension Plan was drawn up about 15 years ago, the prevailing opinion was that it should be inadequate—that it should provide only a bare minimum of security and that it should be supplemented in various ways. It is understandable that back in 1935, when the idea of a Federal old-age insurance plan was new, many people wished to avoid placing too much reliance on it. At that time, the serious disadvantages of private pension plans as devices for providing old-age security were not clearly seen. Nor were all of the developments and problems of old-age assistance clearly seen.

The time has come, I believe, for a change in our thinking about these matters. It is high time to adopt the view that the Federal pension plan should be so close to adequate that only moderate supplementation by private pension plans or public assistance will be necessary. Of course, substantial supplementation by individual thrift will always be necessary. For example, if one accepts as a rough, but modest, standard that an adequate pension for a worker and one dependent is about half of his average earnings, his standard of living will take a terrific fall on the day when he retires, unless he has accumulated at least a moderate amount of savings to supplement his pension.

If the Old-Age and Survivors' Insurance Act were improved along the lines recommended by the Advisory Council with respect to coverage and eligibility requirements and if the benefit formula were somewhat more liberal than that recommended by the Council, the plan would really become the foundation of the country's arrangement for old-age security. Within three years after the effective date of these changes the number of recipients of old-age pensions would exceed the number of recipients of old-age assistance, total pension payments would be larger than payments for old-age assistance, and the Federal Government would be able to make substantial reductions, in its expenditures for old-age assistance. As a matter of fact, the number of old-age insurance beneficiaries actually drawing benefits has increased during the last several years considerably faster than the number of old-age assistance recipients. Between December, 1946 and January, 1950, the number of old-age insurance beneficiaries increased 932,000 in comparison with somewhat over 500,000 for old-age assistance recipients. It is illuminating, however, that the increase in this monthly amount of old-age assistance payments during the same period was more than twice as large as the increase in the total monthly old-age benefit payments under the old-age and survivor's insurance today — vivid evidence of the inadequate benefit formula in the pension act.

VI

What would a more adequate system of old-age and survivors' insurance cost? The answer to this question depends upon many conditions: how many persons reach the age of retirement; how many become eligible for benefits; how many retire; how long benefits are paid; how much is paid as retirement benefits.

The best way to estimate the costs of an old-age insurance program is as a percentage of payrolls and of the income of the self-employed, in case the insurance plan extends to the self-employed. In the next 20 or 30 years there will be a very large rise in payrolls—partly due to the increase in the labor force and partly due to the rise in wages which must be expected to continue in the future as in the past. In another 30 years, for example, the labor force will increase by over 10 million, and, if wages rise as rapidly as in the past, hourly earnings will increase between 80 and 90%. One must expect that the benefits paid under the old-age insurance plan will bear a more or less constant relationship to average monthly earnings. As wage rates rise, benefits will be liberalized from time to time in order to maintain a more or less constant relationship between earnings and pensions. That is why the most realistic and conservative way of estimating costs is in terms of percentage of payrolls and the income of the self-employed.

The actuarial consultant of the Advisory Council on Social Security prepared a low-cost estimate and a high-cost estimate of the recommendations of the Council. He estimated that by the year 2000 the expanded program recommended by the Advisory Council would cost from 5.87% to 9.70% of payrolls. The range in his estimates of level premium rose from 4.90% to 7.27%. The more liberal benefit formula which I had suggested would cost somewhat more.

VII

Fortunately, the cost of old-age pensions can be substantially reduced by encouraging employers not to retire workers who are physically fit to perform their work. It is a cruel fiction that men on attaining the age of 65 suddenly become unfit to continue their jobs. Let me conclude these remarks by calling to your attention an aspect of the problem of old-age security that has received all too little attention—namely, the problem of premature retirements.

Many people conceive the problem of old-age security as mainly a result of the aging of the population—that is, the increase in the proportion of the population of 65 years of age or more. As a matter of fact, the problem of old-age security is as much a problem of earlier retirement as a problem of the aging of the population. Back in 1890, 68.2% of all white males were members of the labor force. By 1930, this percentage had fallen to 54.0. By 1940, only 42.2% of all white males were in the labor force.

The drop in the proportion of the population of 65 years of age or more in the labor force is not the result of voluntary retirements. It is the result of layoffs by employers. For example, among rural farm population, 69.3% of males 65 to 74 years of age were in the labor force in 1940, and even 31.5% of males over 75 were in the labor force. Among urban groups, on the other hand, only 46.9% of white males between 65 and 74 years of age were in the labor force, and only 15.0% of those 75 years of age or more. Many large companies have adopted the rule that everyone must retire at the age of 65.

The practice of earlier and earlier retirements is bad for the individual worker in most cases, it is bad for the country, and it greatly increases the problem of an old-age insurance plan. Retirement is bad for the worker partly because it reduces his income, but even more because it cuts him off from the contact of his fellows that his job gave him, and makes him feel that he is a "has-been" and is now on the shelf. He is unhappy and maladjusted. Often his health suffers. Earlier retirements are bad for the country because they deprive the community of the output that the retired workers might produce. At the present time, for example, there are about 2.8 million workers of 65 years of age or more at work. They produce about $10 billion of goods. If the practice of universal retirement at 65 were made general, the country would be deprived of the output of these 2.8 million men. In other words, general retirement at the age of 65 would cost the country about $10 billion a year. Finally, earlier retirements greatly increase the cost of pensions. Life expectancy at age of 70 is about three years less than at the age 65. If most men retired at 70, therefore, the number of years pensions would be paid in the average case would be about three less than if most men retired at 65. Furthermore, contributions would be paid for more years. Consequently, the contribution rate that will buy a given pension beginning at age 65 will purchase much larger pensions beginning at age 70.

The time has come to halt the tendency for employers to retire men at an earlier and earlier age. This tendency is quite out of place in a community where health is improving, longevity is increasing, and the remaining years of usefulness of workers at the age of 65 are growing. The Advisory Council on Social Security pointed out that the great majority of retirements are involuntary, and it recommended that the Federal Government establish a commission to study the broad problem of the aged in the community and the adjustment of aged to retirement. I believe that immediate steps should be taken, however, to help workers between the ages of 65 and 70 continue in employment instead of being forced to retire. The best way to do this is to give employers an incentive not to retire physically fit workers before the age of 70.

What form might this incentive

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The Problem of Old Age Security

take? It might be either a penalty or a reward. I believe that a reward is preferable to a penalty. If the employer were penalized for retiring men below the age of 70, he would be discouraged from hiring older workers—men of 60 or near 60, whom the employer might be willing to hire under ordinary circumstances. If the employer had doubts these men would be physically fit to work until they were 70 years of age, he would refuse to hire them.

The method of rewards, however, has great possibilities. In order that I may be definite and concrete, let me venture a tentative suggestion. Let us assume for sake of illustration, that the average pension were $75 a month, or $900 a year. An employer who kept a man until the man was 70 years of age instead of retiring him at the age of 65 would be saving the pension system $4,500 in pensions. The employer might be rewarded for keeping men above 65 by being given a rebate of one-third of the resulting saving to the pension fund. In the example I have given, one-third of the saving would be $1,500. If the employer had kept the man until only age 68, the pension fund would have been saved $2,700, and the rebate of one-third would have given the employer $900.

This rebate would give managements an incentive to find ways of keeping men beyond the age of 65. Furthermore, instead of being a deterrent to managements' hiring older workers, the rebate would be an incentive. If an employer hired a man at age of 62 and kept him until the age of 70, the employer would be given a rebate for the saving made possible in pension payments to the man. Naturally employers would be interested in hiring older workers who showed promise of being efficient after the age 65. The older workers who are now thrown on the market by firms going out of business and by layoffs would find their employment opportunities greatly improved.

I do not assert that this arrangement would completely solve the employment problem of the older worker. Nevertheless, it would greatly reduce the seriousness of this particular problem. Thus we would be killing two birds with one stone. We would be halting the dangerous tendency for earlier and earlier retirements. In addition, we would be improving the employment opportunities of older workers. An incorporation into the Old-Age and Survivors' Insurance Act of an incentive for employers to keep workers beyond the age of 65 would be a major improvement in the country's arrangements for old-age security. It would open new hope and opportunity for millions of older workers. It would greatly reduce the cost of pensions and it would make it possible to give much more liberal pensions than are now available with only a moderate increase in the cost of pensions. It would increase the productivity of the economy. This increase in productivity would alone go far to pay the total cost of old-age security.

Insurance Executives Warn of Inflation Danger

George L. Harrison, Chairman of Board, and Devereux C. Josephs, President of New York Life Insurance Company, point out growing hazard which affects country is possibility of serious inflation from government deficits.

In a letter accompanying the 105th Annual Report addressed to policy holders and signed jointly by George L. Harrison, Chairman of the board, and Devereux C. Josephs, President of the New York Life Insurance Co., a warning is uttered that continuation of government deficits may bring in its wake serious inflation that will affect the whole nation adversely.

Devereux C. Josephs George L. Harrison

"It is sometimes difficult to differentiate between a robust prosperity and high business activity artificially stimulated to a point of consequent inflation, because at the outset both appear the same," the insurance executives state. "But the greatest danger of inflation is its insidious growth. Its first influence is pleasantly stimulating—money is plentiful and cheap, business becomes brisk, wages rise and everyone appears to be better off. Then comes the pay-off. Living costs, which have lagged behind this increasing affluence, begin to rise; and the savings of the past lose, temporarily or irretrievably, part of their buying power."

Continuing, the letter points out: "Because of this risk, it is well for us to seek to determine whether agriculture, industry and commerce are enjoying a soundly earned natural expansion, or whether our delicately balanced economy is getting out of control.

"Unbalanced government budgets—national, state and local—are the chief factor in creating inflation and also the clearest signal of the danger. Government spending in excess of tax collections puts extra money in the hands of the public without creating any added supply of goods and services. When people try to spend this extra money for the same amount of goods and services, they tend to drive prices up. So, the public as a whole is no better off than before, and people living on fixed incomes are considerably worse off.

"During the war when things had to be accomplished immediately, we did not stop to count the costs. Budgets could not be balanced, money was borrowed for immediate needs and payment was deferred to the future. As a result, many of us have forgotten that what has been spent must be paid for sometime, in one way or another, by someone. If government budgets are not balanced over too long a period of time, inflation will surely follow.

"To avoid inflation, either expenses must be curbed or the government's income from taxation must be increased, or both. Sooner or later the government must replace its over-expenditures with debt reduction or the thrifty will have to pay the bill in the deterioration of their savings.

"The difficulty with such an obvious course derives from the fact that it is hard to agree on who shall be taxed, and which shall be omitted of the things we so properly desire. As citizens we 'view with alarm' the free spending which is currently going forward, but as individuals we enjoy our share of the benefits. The immediate pleasure of receiving the benefit dulls our knowledge of the debt we have bequeathed our children.

"Because governmental figures have reached such size as to be difficult to grasp, it is worth while to illustrate the peril at a more comprehendible level. All of us have many demands upon our current income. If as individuals we continue to spend more than our income we eventually become bankrupt, and so we force ourselves to be content with what we can afford to pay for. We forego a luxury to offset a new contingency. These choices which we make as individuals all entail a sacrifice. It can be no different on the governmental scale.

"Currently we have large international responsibilities—unavoidable and expensive. They are part of our even larger outlays for the national defense. We can hardly expect, at the same time, the immediate fulfillment of all of our social objectives. With the Federal budget already unbalanced during this high level of business activity, we must choose between patience in the achievement of desirable social objectives, and inflation which may depreciate savings even further and may, if persisted in, eventually destroy the very way of life we seek to create.

"Some of the new social objectives now being discussed are unquestionably desirable, although there are of course differences of opinion as to how such objectives should be accomplished. Each of us has one or more which he believes to be indispensable. But if we are to continue to enjoy the benefits of a dynamic economy and a free society, we will have to practice the same patience and self-denial on a governmental level that we must observe in our own personal affairs. Most important of all, the responsible-minded policyholder and citizen must encourage and cooperate with those elected to public office—national, State and local—to resist courageously the pressures to spend more and tax less. After all, legislative bodies reflect the political self-indulgence, or the patriotic self-denial, of the voters."

Pacific Gas & Electric Offering Underwritten By Blyth & Co. Group

Stockholders of Pacific Gas & Electric Co., the second largest public utility in the country, are being offered rights to subscribe to an additional 1,656,156 shares of common stock of the company at the rate of one new share for each five shares of record March 14, 1950. The offer to purchase the additional shares, at the subscription price of $30 per share, expires April 5, 1950. A nationwide group of approximately 200 investment bankers, headed by Blyth & Co., Inc., will purchase from the company all unsubscribed shares at the original subscription price.

Proceeds from the sale of the common stock will finance, in part, the company's construction program which it estimates will total $300,000,000 in the years 1950-51 inclusive.

Joins Lawson, Levy

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Frank M. Wosser is now connected with Lawson, Levy & Williams, 1 Montgomery Street, members of the San Francisco Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

The persistent strength of the "free" Canadian dollar market in New York has provoked the customary conjectures concerning the possibility of the return of the official dollar to parity vis-a-vis the U. S. dollar. During the past week rumors of an impending currency movement in this direction have been heard but have failed to produce any appreciable reaction. The apathetic reception accorded these rumors is by no means surprising in view of the absence of any logical case in substantiation of such a move.

Perhaps the only reason for giving passing consideration to the question is the fact that the unofficial dollar is pressing hard on the heels of the official dollar and U. S. investment funds are still flowing northward in steady volume. In the absence however of the timely advent of spectacular developments in the shape of the Alberta oil discoveries, the exploitation by U. S. interests of Quebec Titanium, and greater realization of the possibilities of the vast Labrador iron deposits, the Canadian foreign exchange situation would have presented an entirely different appearance. Without this opportune bolstering of the Canadian exchange position there is little doubt that the unofficial market in New York would have reflected the discounting of the probability of a further devaluation of the Canadian dollar.

Even in the event of the continuance of a steady influx of U. S. investment funds the Canadian economy is likely to be severely tested in the course of the next few months. As a result of the devaluation of the pound and the tightening British Commonwealth trade restrictions against imports from hard currency areas, Canada's foreign trade position has been dealt a serious blow. To a certain extent the effects have been mitigated by a temporary rise in Canadian exports to this country, as an immediate consequence of the devaluation of the Canadian dollar. This advantage in trade with this country is offset however, by the adverse change in the conditions of British-Canadian trade since the drastic cut in the value of sterling.

This situation is further aggravated in view of the present trend of developments governing ECA procedure. Previously Canada had benefited to an important degree in consequence of generous allocations of ECA "offshore" purchases. Not only were normal Canadian exports to Britain assured of payment in U. S. dollars, but the Dominion's exchange reserves were further boosted by additional U. S. purchases within the scope of the program for European economic assistance. Now embarrassing surpluses of U. S. farm products, and British unwillingness to furnish U. S. dollars for imports from Canada, constitute the Dominion's principal economic problem. When the U. S.-Canadian Wheat Agreement expires next July 1 it will be difficult to disguise the precarious position of Canada's markets for agricultural products.

These considerations therefore suggest a further devaluation of the Canadian dollar rather than an upward revaluation. This would appear to be all the more logical in view of the fact that as a result of the September devaluation, Canadian exports to British Commonwealth and sterling area markets have now to overcome a 20% exchange disadvantage. Furthermore in the event of the development of another sterling crisis the Canadian dollar would also be subject to its undermining influences. It is most unlikely however that sterling will be permitted to fall below its present level under any circumstances, but pronounced pressure on future sterling in the New York market would exert a bearish influence on the "free" Canadian dollar.

Although it would appear therefore that in the coming months the Canadian economic situation is more likely to deteriorate rather than to improve, a longer range survey suggests that a good case can be advanced for the eventual return of the Canadian dollar to par with the U. S. dollar. This view would be based on the continued dynamic exploitation of Canada's vast wealth of natural resources, the maintenance of the Dominion's capable management of its financial and economic affairs, and possibly greater difficulties south of the border in controlling the inflationary forces that ultimately lead to currency depreciation.

During the week the feature of the external market was the successful placing of the new Alberta refunding issue. Activity in internals continued on a negligible scale with prices mostly unchanged. The corporate-arbitrage rate was steady at 14¾%-14% while free funds were again slightly firmer at 9⅝%. Stocks were irregularly higher with the industrial group index registering a new 16-year high. Senior golds, and notably Kerr Addision, were in demand following favorable earnings reports. Western oils were active and slightly firmer with Royalite and Pacific Petroleum particularly prominent. Base-metals made little headway but East Sullivan on favorable drilling reports was actively traded.

Joins Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hugh D. Purcell has become affiliated with Conrad, Bruce & Co., 530 West Sixth Street. He was formerly with Adams-Fastnow Co. and Blyth & Co., Inc.

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The Security I Like Best

share after providing for call of Mt. Vernon's prior preferred stock, compared with $16.36 per share of net working capital for West Point.

These are only the high-lights of the Mt. Vernon-Woodberry Mills story. Its future looks exceedingly bright in contrast with the difficulties which it has now successfully surmounted. I cannot help but regard it with tremendous respect as an investment.

SIDNEY L. SCHWARTZ

Partner, Sutro & Co., San Franciscisco, Calif.

(Standard Oil Co. of California)

The investment counselor seems entitled to make certain reservations when he is expected to embrace a particular stock with such fervor as to designate it his first choice. First, he cannot be expected to stick to his favorite "for better or worse" in a world which is facing changes in technological, political and economic conditions on a grand scale. Second, bankers and brokers are really expected to have a number of favorites at a time which are suited to fill the individual needs of investors on a basis of risk diversification.

Sidney L. Schwartz

For investors who are not in the top income brackets and desire an optimum combination of long-range security of principal, growth and generous income, Standard Oil Co. of California is among my favorites. If some are inclined to term this choice rather "commonplace" and lacking in originality I do not mind because I feel that the type of investor mentioned above should have his funds committed preferably in leading stocks which have the prospects and the market support characterizing high caliber equities. If, on the other hand, somebody may be inclined to raise an eyebrow on Standard Oil of California, in view of the well-known difficulties with which the oil industry in general, and our big international companies in particular, are currently confronted, I wish to state my conviction that these difficulties do not detract from the excellent long-range outlook for this industry. For oil serves basic needs in our modern economy and stability is afforded through its position and preponderant use in the consumer goods field. Its rising importance in chemistry and the usual co-existence of natural gas combine to provide above-average growth.

This company is among the strongest in the entire industry, as far as reserves and earnings power are concerned. After deducting one barrel of domestic reserves for each dollar of senior capitalization, company has an estimated 84 barrels of domestic reserves, and 174 barrels of foreign reserves, per share of common. Add to this its large reserves of natural gas, its up-to-date refineries, pipelines, tankers, etc., and it will be apparent that the current market price of around $64 per share constitutes a very conservative appraisal.

One arrives at the same conclusion, considering the fact that the stock currently is selling at 6½ times estimated 1949 earnings, and at about 7 times 1946-49 average earnings. While the bigger part of estimated oil reserves are in the Middle East and Caribbean, net investment in companies operating in foreign countries, at the end of 1948, was carried on the books at below $75 million, or about 10.8% of total net book value of fixed assets. Dividends received in 1948 from associated companies operating in foreign countries were equal to 17% of total net profit. Thus, while the current difficulties facing the disposal of "dollar oil" in foreign markets may limit company's profits from such operations in the years ahead, they do not basically change its earnings potential. Moreover, the Middle Eastern reserves will remain a source of wealth unless there is war with Russia, which has become less likely in view of the destructive potentialities of the H-bomb.

Growth? This company has had much, and has all that is needed for much further growth. Its principal domestic reserves and markets are located in one of the fastest growing areas of the country. Within a relatively short time, Standard Oil of California also has built up strong reserves and markets east of the Rockies. Company has an interest in the oil discoveries in Surry County. Thus, in recent years, company has outpaced the average growth of a rapidly growing industry. In the past 10 years, its output of crude oil has almost tripled, its crude sales have more than doubled, and so has the production of natural gas. Several subsidiaries are now active in the field of petro-chemistry. Incidentally, over 60% of domestic output still comes from California, where production is as yet not subject to limiting regulations by the State.

The proof of a stock is in its performance. An investor who bought Standard Oil of California at the 1939 average price of 29, now has to show a 139% gain in principal, as against a 47.5% rise in the Dow-Jones industrial average over its 1939 average; moreover, in these 11 years, that investor would have received cash dividends providing an average annual yield of 7.7% on his original investment, although company ploughed back an average of 53½% of its profits. Put differently, $1,000 invested at the average 1939 market price would today be worth about $2,390, exclusive of the $850 cash dividends paid on that investment in the 1939-1949 period.

A stock with so much basic merit can be held with confidence, in good as well as slack times.

ALLAN LOPATO

Allen & Co., New York City

(Polaroid Corporation)

Being somewhat of a romanticist of long standing, it is almost natural that the stock I like most would be of the variety known as "romance situations." Polaroid Corporation common, the stock which is my pet, and to which I refer, is one which has sufficient appreciation potential to stir one's imagination.

Allan Lopato

This is not a stock for the man who looks at past earnings records as his criterion for investment. However, last year, for the first time since 1945, showing the fruits of its latest venture, the Polaroid-Land Camera, the company reported net earnings of $1.63 per common share. I don't think it necessary to describe this amazing camera which delivers a finished picture one minute after it is snapped. However, according to the annual report, improvements in the type of film used, and in the camera itself are being made and should add to the sales of this particular item.

The basic substance, from which Polaroid derived its name, is a light-polarizing material sandwiched between two clear plastic films. This material has been used, since 1936, by American Optical in the manufacture of sun glasses which do a beautiful job of eliminating reflected glare. An improvement of this original polarizing substance is made into filter screens for television sets. These screens circularly polarize light and are the first commercial applications of this principle. The filter increases image contrast and removes annoying light reflections from sources outside the picture tube.

The polarizing material can also be used in showing three-dimensional movies in natural colors, and so far as this writer knows, it is the only commercially available material which will do so. Three-dimensional color movies could prove to be the film industry's most effective weapon in recapturing audience from TV.

The company also has a three-color process for printing motion picture film known as "Polacolor," and is currently negotiating with the motion picture industry on extending its use.

The company maintains a research division, very ably staffed, and from the nature of its achievements, apparently very capable. Its latest project, completed under sponsorship of the office of Naval Research and also supported by grants from the American Cancer Society, is a new type of ultra-violet microscope which causes ordinarily colorless biological tissues to assume characteristic colorations. While primarily developed for use in cancer research, it is expected that many other uses for this microscope will be found.

The gross revenues of this research division last year exceeded its direct operating costs. The scientists and engineers in this division work out the processes needed in some of Polaroid's ventures and design and help build the machinery necessary for performing these processes.

However, all of the foregoing items, as packed with potential earnings as they are, in my opinion, do not approach the tremendous possibilities that could come from the use of the polarizing material in the elimination of automobile headlight glare.

For as long as the modern automobile has existed, one of the greatest causes of accidents at night has been the blinding glare of automobile headlights. To date, there have been no effective "cures" to overcome this killer with this one possible exception: the Polaroid Corporation has developed a system using its polarizing material in both headlights and windshields, which could eliminate the bugaboo of night driving completely so far as headlight glare is concerned. This could be accomplished at a cost which would be very small indeed in terms of lives saved. The big obstacle to its adoption is that for full effect, the system would have to be universal and such a condition might have to be legislated. The first important steps toward this end seem to have been taken with the introduction of such legislation in three states.

The corporation uses a total of 125,000 square feet of floor space and has about 400 employees in all. The employees themselves have turned down three attempts to unionize them and seem to be very satisfied with their working conditions and wages which include an incentive bonus arrangement. The writer was considerably impressed with the high calibre and efficiency of the management. Relations between management and employees are excellent.

The company, in their "1949 Annual Report," shows a current ratio of better than 5 to 1. Outstanding capitalization consists of:

18,000 shares of 5% cum. 1st preferred, $50 par
7,000 shares $2.50 cum. 2nd preferred, $5 par
404,375 shares of common, $1 par.

At its last meeting, March 14, 1950, the directors declared 62½¢ account of arrears, and 62½¢ current dividend on the first preferred. This leaves arrears of $1.25 per first preferred and $6.25 per second preferred share.

If the present potentialities of this company are realized, the prospects for increased earnings and appreciation of the capital stock are easily foreseeable.

The opinions expressed herein are the personal views of the writer.

WILLIAM A. STINSON

Security Analyst, Philadelphia 9, Pennsylvania

(Keystone Funds)

I have been most impressed by the fine array of talent contributing to this series of articles about "The Security I Like Best." However, I have been far more impressed by the fact that there are almost as many favored securities as there are writers. This has set me to wondering where Mr. Investor, whom we all serve, finally arrives after reviewing so many and varied opinions.

William A. Stinson

Mr. Investor has his hands full as it is; what with over 3,000 "listed" and more than 20,000 "over-the-counter" securities from which to choose. On top of this, he is too frequently confused in what he really wants in the way of a security.

If Mr. Investor is not already aware of two important investment fundamentals, it is my firm belief that in order to best serve his interest he should be taught them: first, to recognize that he has an investment objective—whether to obtain income, to build capital or some other—and second, that he should think of the market as an average. He should then consider only those securities which meet his investment objective. As soon as we, in serving Mr. Investor, stop thinking in terms of averages, we are faced with the myriad choices available in the market place—and this series of articles is a testimonial to the difficulties involved in making a selection.

This preamble is important in arriving at a discussion of my selection of the best security for investment: a series of ten "averages" with which to meet virtually any investment objective. These are the Keystone Funds—ten separate Mutual Funds, representative of ten distinct classes of securities. Each has different characteristics as to fluctuation and income. Each has a specific investment use. Here then are ten "averages" representing the performance characteristics of practically every section of the securities market from the highest grade bonds through other classes of bonds; income and appreciation preferreds; the "blue chip," the income, and the lower-priced commons.

Who can depend upon the market price performance of any single security over any given period of time? American Telephone & Telegraph and Western Union were both the same class of security some twenty years ago—both "blue chip" commons. AT&T still is, but Western Union has long since fallen from the ranks of the exclusive. Or, as a more recent, short-term illustration, let's look at some of the thirty stocks which make up the Dow-Jones Industrial Average—most of them "blue chips." Union Carbide ranked No. 1, Int. Nickel No. 2 and General Foods No. 3 as the best price performers in 1948. But last year Union Carbide had dropped to 11th place, Int. Nickel to 16th and General Foods way down to 28th. What if you had picked these three a year ago on the basis of their 1948 record?

Yet, if we had the multiple experience of 50 selected issues of this class of securities, we would have an "average" and such an "average" would give us a measure by which to tell a great deal of what we could expect as to future price fluctuations and income.

What better answer with which to solve almost any investment problem than ten such averages—ten different investment tools with known habits as to income and appreciation possibilities. In addition, there are ten tools which at all times offer wide diversification, continuous investment supervision, regular and dependable income, ready marketability, virtual indestructibility and other investment advantages. If a real service is to be performed for the investor, does it not make more sense to use a vehicle with as many investment advantages as these, rather than attempting to select the "best" issue from among a heterogeneous mixture of thousands of individual securities—most with unpredictable habits and with not easily assayable future prospects? In my opinion no better tools are available to the securities man today with which to fashion an investment program precisely tailored to the needs of each individual investor. Nor would I seem to be alone in this belief. More than 50,000 investors hold Keystone Fund Certificates valued in excess of $200,000,000. And these are not confined to the "little" investor you hear so much about. Some 1,800 fiduciary and institutional investors hold amounts up to $1,000,000 or more.

What of results? By combining the right combination of the ten Keystone "averages" into a program such as that afforded by the Income and Growth Plan, the results are little short of phenomenal. $10,000 invested in this plan on Jan. 1, 1940 had a capital value on Jan. 1, 1950, of $19,000 and returned an average in income distributions per year of over 7% on the original investment. In the same ten years, had all special and regular distributions been reinvested as received, the capital would have grown to a most impressive $32,500—an increase of well over 300%.

Like all precision instruments, the Keystone Custodian Funds take a bit of understanding for proper application and use. However, when their use is understood—much as a skilled craftsman knows how to use his instruments—they provide the means by which a securities man can do a professional job of solving his clients' investment problems—both in good times or bad. If used properly, they are capable of producing remarkable investment results.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Maurice F. Sheldon has been added to the staff of Slayton & Company, Inc.

Estimates Industrial Stock Prices Now Are 30% Above Normal

L. M. Demarest & Associates, on basis of 10-year average, hold industrial shares at highest level in four years. Hold the longer a decline is postponed, the more abrupt will be the drop.

Industrial stock prices have risen to 30% above normal for the first time in over four years, L. M. Demarest and Associates, business and industrial consultants, state in their March report of the "Flo-Dex Service." This standard measure of business level and trends is based on the rate of flow above or below the ten-year average or decade normal for the corresponding months.

Industrial stock prices held the spotlight in the economic picture in February, the report stated. "In their climb to plus 30% in the upswing which began last July stocks have reached this high zone for the first time since November, 1945.

"There is a possibility that the market may fluctuate above this level for many months, even if it doesn't rise to the very high zone of 50% above normal. But the history of industrial stock prices, proves that the longer the decline is postponed the more abrupt is the drop. Also the higher Flo-Rate rises above plus 30% the greater the danger." The report recalled the extreme high of plus 143% in 1929 and the drop to minus 73% in 1932.

"Four decades of the record of industrial stock prices show that any rise of the market to 30% above normal bears watching," the report stated. "Inasmuch as what happens in the stock market has an important bearing on all business, the businessman, whether or not he is directly interested in stocks, cannot afford to ignore what is going on there."

Five Danger Periods in 44 Years

"Back in November, 1945, in a situation similar to the present one, the then new Flo-Dex warned that industrial stocks were above a safe level. In April-May, 1946 Flo-Dex again pointed out that the market was in the danger zone. As everyone knows, stocks reached their crest in May, 1946, and a sharp drop followed. This warning was based on a knowledge of what had happened to stocks in the past.

"This rise of stocks to 30% above normal isn't something that happens every other year. It is something that has happened five times in the past 44 years. It happened at least once prior to 1906. In July, 1909, stock prices entered the plus 30% zone and continued climbing for two more months. They then dropped 25% in the next year and didn't get back to their former high level for nearly six years. The next time they broke into the zone above plus 30% was in September, 1915. They rose 17% more in the next 14 months, then in the next year dropped 30%. In May, 1919, they again reached plus 30% and kept on climbing, and then dropped 40% in scarcely more than a year. It was five years before the market regained its high level. In May, 1925, the Flo-Rate again broke into this high zone. It continued upward for four more years, with actual prices rising 193% in that time, but when the market broke prices dropped almost 90%. This shows that the longer the correction is delayed the more severe it is."

The report points out that while no one knows whether industrial stocks will continue to rise, or how long they may remain at current levels, there is tentative warning in the bond market. "Corporate bonds usually precede industrial stocks in upturns and downturns."

The report disclosed relatively little change in other basic elements of business from the levels a month ago. Rises occurred in stock prices, bank debits, earnings, production of electric power by utilities, exports, industrial production, durable manufactures, and commodity prices. Solvency, employment and farmers' sales dropped. Retail sales are unchanged.

"Sagging prices in corporate bonds, and a slight decline in the Flo-Rate serve as additional evidence of the importance of watching stock prices closely," the report concluded. "A downturn in bonds and stocks has usually meant a downturn, after some months, in other elements of business."

Glavin Elected By First Boston Corp.

At a meeting of the board of directors of The First Boston Corp., 100 Broadway, New York City. Charles C. Glavin was elected a member of the board. Mr. Glavin joined the firm in 1935 and for many years has been an officer in its buying department. He was elected a vice-president in 1945. A native of Escamba, Mich., Mr. Glavin is a graduate of Harvard College and the Harvard Graduate School of Business Administration.


Charles C. Glavin

First Bost. and Wood, Gundy Group Offers Prov. of Albert Debs.

The First Boston Corp. and Wood, Gundy & Co., Inc., headed an investment banking group which publicly offered yesterday (March 22) a new issue of $60,700,000 Province of Alberta (Canada) serial debentures due March 1, 1961-1973. The debentures are priced to yield from 2.625% to 2.90%.

Proceeds of the sale will be added to general funds of the Province and applied to the redemption on June 1, 1950, of the $61,067,300 of provincial debentures payable in U. S. dollars and maturing subsequent to Jan. 1, 1951, which were issued prior to March 1, 1950, under the Debt Reorganization Program of 1945.

The new debentures are payable in United States or Canadian currency, at the holder's option, and are direct and general obligations of the Province. They are redeemable at varying premiums at any time on and after March 1, 1954.

With Barbour, Smith

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — William G. Cuppa has been added to the staff of Barbour, Smith & Company, 210 West Seventh Street, members of the Los Angeles Stock Exchange.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Earl G. Burr is with E. F. Hutton & Company, 623 South Spring Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

S. Sloan Colt, President of **Bankers Trust Co., of New York**, announced the election on March 21 of Andrew P. Maloney as Assistant Vice-President of the bank. Mr. Maloney, who will be associated with the metropolitan division of the Banking Department, has been with the Manufacturers Trust Co. for the past 22 years. He was an Assistant Vice-President at that institution and was associated with their branch at Fifth Avenue and 43d Street.


Andrew P. Maloney

* * *

Harvey D. Gibson, President of **Manufacturers Trust Co. of New York**, announces that Ralph H. MacKinnon, formerly Assistant Secretary, has been named an Assistant Vice-President of the bank. Mr. MacKinnon began his banking career with the Chatham Phenix National Bank in 1930 and joined Manufacturers Trust at the time of the merger in 1932. At the same time, it was announced that Charles V. Rosicky, of the bank, has been named an Assistant Secretary. Mr. Rosicky started with the Bank of Europe Trust Co. in 1923 and has been with Manufacturers Trust since the former was liquidated in 1931.

* * *

Harvey Wecks, Vice-President of **Central Hanover Bank and Trust Company of New York**, is voluntarily retiring on March 31, in advance of the bank's compulsory retirement age of 65. On May 12, Mr. and Mrs. Weeks plan to leave for Europe, where they will visit England, Holland, the Scandinavian countries, Belgium, Switzerland and France. Mr. Weeks expects to do considerable writing and will also speak before several business and trade groups. Upon his return to the United States next fall, he hopes to spend part of his time writing and speaking. Mr. Weeks was on the program at the International Rotary Convention in Houston, Texas, in 1913, and over the years has spoken before National Conventions of American Institute of Banking at St. Paul, Minn. Financial Advertisers Association in Louisville, Ky., Life Underwriters at Detroit and American Bankers in New York City. In addition, he has made talks before the New Jersey Bankers, North Carolina Bankers, etc. He was President of the Financial Advertisers Association in New York City in 1937.

* * *

J. Henry Schroder Banking Corp. and **Schroder Trust Co. of New York** announced on March 14 the election of George A. Braga as a director. Mr. Braga is Vice-President and director of Czarnikow-Rionda Co., President of Manati Sugar Co. and a director of various other companies.

* * *

Appointment of George J. Moffitt as Assistant Manager of its Bronx Office was announced on March 20 by Walter E. Kolb, President of the **Industrial Bank of Commerce of New York**. Mr. Moffitt has been with the bank 16 years.

Drive-in banking facilities in Long Island City were formally opened on March 16 by **Title Guarantee and Trust Co. of New York**. The new drive-in is part of the bank's branch at Bridge Plaza North, a few blocks from the Queensboro Bridge, in the center of the Long Island City industrial area which it serves. The first regular business day of the drive-in facilities occurred on March 17. Barnard Townsend is President of the trust company.

* * *

Joseph E. Schwab, Vice-President and Comptroller of the **Roosevelt Savings Bank of Brooklyn, N. Y.**, was tendered a luncheon by his fellow officers and friends on March 16 at the Arion Club, upon the occasion of his birthday.

* * *

The New York State Banking Department on March 16 announced that it had given approval to the **Bank of Rockville Centre Trust Co. of Rockville Centre, N. Y.**, for an increase of capital from $400,000, consisiting of 4,000 shares of the par value of $100 each, to $600,000, consisting of 6,000 shares of the par value of $100 each.

* * *

Appointment of Laird W. Dealaman of Plainfield as Assistant Secretary-Treasurer of **Franklin-Washington Trust Co. of Newark, N. J.**, was announced on March 13, the Newark "Evening News" reports. He has been in banking since 1938, with an interruption for war service in the Pacific.

* * *

The **Cumberland County National Bank & Trust Co. of New Cumberland, Pa.**, increased its capital as of March 2 from $150,000 to $200,000; $25,000 of the additional capital represented a stock dividend, while the further $25,000 increase resulted from the sale of new stock.

* * *

The capital of the **Southern National Bank of Orangeburg, S. C.**, has been increased from $125,000 to $187,500, effective Feb. 27. The capital was enlarged as a result of a stock dividend of $12,500 and the sale of $50,000 of new stock.

* * *

Purchase of controlling interest in the **Grove State Bank** at **Pleasant Grove, Dallas, Tex.**, by the **Dallas National Bank, at Dallas**, was announced on March 11 by J. C. Tenison, President of the Dallas National. The Dallas "Times-Herald" reports that the suburban bank will operate as an affiliate of the larger institution, but neither its location nor its name will be changed under the new affiliation, Mr. Tenison said. The Grove State Bank was established in 1948, and reports resources of $2,112,625. The Dallas National, the "Times-Herald" notes, was established in 1903 and as of last Dec. 31 reported total resources of $95,206,084.

* * *

Action by the directors of the **Republic National Bank of Dallas, Texas**, in authorizing a 50 cents quarterly dividend, payable April 1 to stockholders of record as of March 15, has established a new dividend policy for the Republic Bank. This quarterly dividend amounts to $337,500 on the 675,000 shares of stock outstanding and is at the rate of $1,350,000 annually. Heretofore quarterly dividends have been paid at the rate of 40 cents per share, and for the past several years an extra dividend of 40 cents has been paid in December. Regular and special dividends paid in 1949 amounted to $1,200,000.

* * *

Frederick W. Ruble of Denver was elected President of the **Federal Home Loan Bank of San Francisco** on March 3, it is learned from the San Francisco "Chronicle." Mr. Ruble will take office April 1, it is stated. It is likewise stated that for the last 10 years he has been President and Manager of the Midland Federal Savings and Loan Association of Denver.

* * *

John A. McCone, Chairman of the Board of Pacific Far East Line, Inc., and A. E. Stewart Chaffey, rancher, were elected to the board of directors of the **California Bank of Los Angeles** on March 13, Frank L. King, President, announced. McCone's other corporate connections include that of President of the Joshua Hendy Corp. and director of the Curtiss-Wright Corp. Mr. Chaffey is a son of California Bank's founder, the late Andrew M. Chaffey.

* * *

Seven members of the staff of the **Anglo-California National Bank of San Francisco** have received promotions, according to an announcement by Allard A. Calkins, President. At the Capital office, Sacramento, Walter W. Funk, Frank Hodgson, John E. Miller and Darrell R. Purcell have been appointed Assistant Vice-Presidents and Ralph B. Lane has been appointed an Assistant Cashier. Mr. Funk, who has been with the bank since 1939, and Mr. Purcell, who has been connected with the institution for the past 24 years, were previously Assistant Cashiers. Raymond A. Marks, who started with the bank in 1934, has been appointed an Assistant Manager of the Market-Jones office, San Francisco. Glenn K. Mowry has been named Assistant Manager at the East Oakland office, Oakland.

Walter Crandell Dead

Walter S. Crandell died at his home at the age of 70 after a six months' illness. Mr. Crandell, a member of the New York Stock Exchange since 1909, retired from his brokerage business in New York a year ago.

With Schwabacher Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Victor C. Bacigalupi and Ramsay Browne have been added to the staff of Schwabacher & Co., 600 Market Street at Montgomery, members of the New York and San Francisco Stock Exchanges.

Robert H. Watson With Francis I. du Pont & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Robert H. Watson has become associated with Francis I. du Pont & Co., 200 South La Salle Street. He was formerly with F. S. Moseley & Co. for many years and prior thereto was with Blyth & Co.

With C. A. Parcells & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—William G. Penoyer has been added to the staff of Charles A. Parcells & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

With J. Arthur Warner

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Edward J. Modest is with J. Arthur Warner & Co., Inc., 89 Devonshire Street.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

KEOKUK, IOWA—Clarence G. Dresser is now associated with the staff of Waddell & Reed, Inc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The annual report of the Insurance Company of North America for the year ending Dec. 31, 1949, was recently mailed to stockholders. As has been the case for the past several years, this report is one of the most detailed and informative of any insurance company. Because of its prominent position in the industry a few comments about the operating results of the company are appropriate at this time.

The Insurance Company of North America showed operating results for 1949 which were the best in its 158-year history. Improved underwriting arising primarily from lower claims and claim expenses made the greatest contribution to the better showing. The gain in statutory underwriting profit was from $6.6 million in 1948 to $17.5 million last year, or 265%.

Investment results were influenced by the conditions existing within that field. A larger volume of funds together with higher dividends on common stock holdings aided investment income which showed an increase of approximately 17%.

Federal income taxes were substantially higher and reflected the improvement in statutory underwriting. They increased to approximately $8 million from $3.8 million in 1948.

These operating results are summarized in the following tabulation taken from the company's annual report.

Underwriting—	1949	1948	Incr. or Decr.
Premiums written	$163,983,131.75	$158,940,048.28	$5,043,083.47
Increase in unearned premium reserve	12,426,488.23	16,660,201.21	4,233,712.98
Premiums earned	$151,556,642.52	$142,279,847.07	$9,276,796.45
Claims and claims expense incurred	70,354,301.24	76,150,858.78	—5,796,557.54
Expenses and taxes incurred	63,690,431.02	59,480,934.35	4,209,496.67
Total claims and expenses incurred	$134,044,732.26	$135,631,793.13	—$1,587,060.87
Statutory underwriting profit	$17,511,911.26	$6,648,053.94	$10,863,857.32
Financial—			
Interest, dividends and rents earned	$12,513,540.71	$10,437,774.20	$2,075,766.51
Profit or loss on securities sold	—319,632.18	9,449.07	—329,081.25
Investment income	$12,193,908.53	$10,447,223.27	$1,746,685.26
Gross Operating Income	$29,705,819.79	$17,095,277.21	$12,610,542.58
Federal income tax incurred	8,002,000.00	3,833,240.00	4,168,760.00
Net Operating Income	$21,703,819.79	$13,262,037.21	$8,441,782.58

One of the most interesting features of the report, particularly to those interested in securities, is the section concerned with investment activities.

During the year Insurance Company of North America made a net addition of $33,968,000 of securities to its portfolio. The distribution of the new investment was as follows: bonds, $16,943,000; preferred stocks, $2,232,000; and common stocks, $14,788,000. Of the common stock additions the largest proportion, $8,285,000, was invested in public utilities stocks. Industrial and miscellaneous common stocks accounted for $5,670,000, bank stocks $654,000 and railroad stocks $179,000.

The securities portfolio of the company at the year end based upon the market values at that time totaled $330,144,950 compared with $278,095,614 the year before. Common stocks amounted to 41.4% of the total, bonds 40.9%, and preferred stocks 17.7%. The year previous the respective percentages were 38.5%, 41.6%, and 19.9%.

This distribution and the percentage of securities in the various classifications in each major grouping are summarized in the following table.

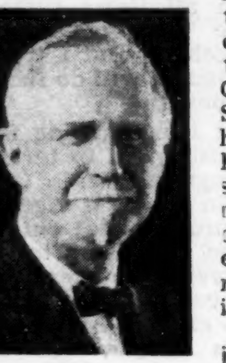
	Market Values			
	December 31, 1949		December 31, 1948	
Bonds—				
U. S. Government bonds	$112,494,500	34.1%	$96,982,180	34.9%
State, County and Municipal	12,234,140	3.7	9,566,010	3.4
Canadian Government	6,633,280	2.0	6,275,310	2.3
Other foreign	475,433	0.1	472,580	0.2
Railroad	2,205,770	0.7	2,398,070	0.8
Public utility	875,000	0.3	------	--
Total all bonds	$134,918,123	40.9%	$115,694,150	41.6%
Preferred Stocks—				
Railroad guaranteed	$6,049,014	1.8%	$6,183,462	2.2%
Railroad	2,917,500	0.9	2,756,000	1.0
Public utility	25,587,050	7.8	24,126,250	8.7
Industrial and miscellaneous	23,847,103	7.2	22,279,335	8.0
Total preferred stocks	$58,400,667	17.7%	$55,345,047	19.9%
Common Stocks—				
Railroad	$5,535,000	1.7%	$5,709,300	2.0%
Public utility	34,144,160	10.3	18,920,324	6.8
Industrial	90,237,507	27.3	76,687,268	27.6
Bank	6,793,653	2.1	5,595,485	2.0
Miscellaneous	115,840	--	144,040	0.1
Total common stocks	$136,826,160	41.4%	$107,056,417	38.5%
Grand total	$330,144,950	100.0%	$278,095,614	100.0%

Chocolate-Sealed Fish

By ROGER W. BABSON

Mr. Babson, pointing out we do not get full nutritive value of fish unless the whole carcass is eaten, describes his efforts to process the whole fish in order to make it palatable. Explains chocolate-sealed fish.

During the 27 years I have been writing this weekly column which now appears in over 400 newspapers, this is the first time I have taken the space to defend my actions. My Chocolate-Sealed Fish, however, has been so razzed by newspapers, cartoonists, etc, that I must rise to its defense!



Roger W. Babson

I was born in Gloucester, Mass., the largest fishing port of the world. I have since always spent my Summers there. Hence, I have seen much of the fishing industry — its development and changes. Just now it is in the "quick-freezing" era, when you buy frozen fillets which are good tasting and healthful fish.

These fillets. however, are only the flesh sides of a fish. They contain no calcium from the bones; no vitamins from the liver; nor certain other valuable products which are now ground up for chicken feed. Any biologist will tell you that chickens are now better fed than humans! The chickens get 65% of the fish, including all the minerals and vitamins.

Our Ancestry

Some of the people of this country may have started from monkeys; but surely the best of us originally came from great fishes which had backbones like ours. Some of these fishes had the initiative to crawl up on the land. They became lizards and these gradually developed into mammals. Hence, today, we can get from fish nearly all we need in order to live—*provided we eat the whole fish.*

Last Summer I experimented with grinding up and cooking the whole fish — flesh, bones, skin, liver and all—with the help of my friend Captain Frank Favalora. I gave some dinner parties, having soup, jellied salads, fish balls and lobster (ground up with the shell) for the main courses, with sea vegetables followed by a delightful dessert made from sea moss which I picked up off little Good Harbor beach. The repast had two outs: *one* a slightly unpleasant odor, and *two* a somewhat bitter taste.

My Experiments

Various experiments were tried to eliminate these two handicaps. My Japanese chef eliminated the odor with a few drops of oil of orange; but we could not get rid of the bitter taste. This bitterness was probably caused by the fresh liver which was one of the best of the ingredients. So I gave up until coming to Florida this Winter.

While in Florida I met Mr. Pricken who has a modern candy factory in Lakeland. He coats orange peel with chocolate; it is delicious. A thought occurred to me and I took over to him some ground cooked whole fish to run through his chocolate-sealing machine — including the cooler. The result to my taste was very good—no odor and no bitterness. But according to the newspapers not even the cats of Lakeland would come near the factory for days!

Chocolate a Preservative

But the above is not the whole story. In addition to killing the odor and bitterness of the whole fish, the chocolate also sealed this cooked ground whole fish. The chocolate sealing acts as a preservative for the fish as it does for the cream in chocolate covered candy. The fish so sealed and unfrozen kept fresh for some weeks in our refrigerator.

Well, the above is my story. Surely my chocolate-sealed fish has no friends at present; but I close the sad story with this forecast: Someday every family—for health's sake — will be eating ground whole fish chocolate sealed. Whether it will be eaten as a main dish or as a dessert, I leave to the imagination of my patient readers.

Louis A. Stoner With F. S. Yantis & Co.

Louis A. Stoner

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Louis A. Stoner has become associated with F. S. Yantis & Co. Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Stoner was formerly Sales Manager for Heath & Company, and prior thereto was Vice-President of Hugh W. Long & Co.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Frank C. Clinton, Maurice F. Sheldon, and Beverly J. Watson have been added to the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Martin B. Uhrich, Jr., has become affiliated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

With Paine Webber Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Harry A. Cottingham is with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly with Dean Witter & Co.

With Stern, Frank Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Donald P. Yust is with Stern, Frank & Meyer, 325 West Eighth Street, members of the New York and Los Angeles Stock Exchanges.

Business Man's Bookshelf

Decline and Fall of British Capitalism, The — Keith Hutchison—Charles Scribner's Sons, New York—cloth—$3.50.

Federal Tax Reform—Henry C. Simons—The University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill.—cloth—$3.50.

A critical interpretation of the Hoover Commission Report.

Hook in Leviathan, A—Bradley D. Nash and Cornelius Lynde—The MacMillan Co., 60 Fifth Avenue, New York 11, N. Y.—cloth—$3.00.

Instalment Credit Road Ahead, The — American Bankers Association, 12 East 36th Street, New York 16, N. Y.—paper.

Scientific Appraisal of Management—Jackson Martindell—Harper & Brothers, 51 East 33d Street, New York 16, N. Y.—$4.00.

Story of the American Automobile, The—Rudolph Anderson—Public Affairs Press, 2153 Florida Avenue, Washington 8, D. C.—cloth—$3.75.

Union of Europe, The—Declarations of European Statesmen—American Committee on United Europe in Cooperation with the European Movement, 537 Fifth Ave., New York 17, N. Y.—paper.

With Protected Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Norman R. Dunn has become affiliated with Protected Investors of America, 130 Montgomery Street. He was previously with Colvin & Co.

With E. D. Baring-Gould

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, CAL.—Robert McWade has become affiliated with E. D. Baring-Gould Co., 19 East Canon Perdido Street. He was formerly with Hill Richards & Co.

Oliver B. Scott Dead

Oliver B. Scott, Walston, Hoffman & Goodwin, Los Angeles, died of a heart attack on March 4. Mr. Scott was a former President of the Security Traders Association of Los Angeles.

Joins Mann & Gould

(Special to THE FINANCIAL CHRONICLE)

SALEM, MASS. — Warren K. Butler has become associated with Mann and Gould, 70 Washington Street, members of the Boston Stock Exchange.

R. H. Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Joseph R. Eid of Worcester and Joseph R. Lamondra of Derry, N. H., have been added to the staff of R. H. Johnson & Co., 70 State Street.

Two With Chas. A. Day

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — James F. Brennan and Thomas E. Roberts are with Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

Herman Pilger Opens

SYRACUSE, N. Y.—Herman B. Pilger is engaging is a securities business from office at 218 Rigi Avenue.

Continued from first page

ERP versus Recovery

Some European governments (we may especially mention Belgium and Italy) have made some reforms in the direction needed—that is, away from bilateralism and controlism and toward multilateral trade and free enterprise. But in general this progress has been very small.

It is an economic and political scandal, for example, that practically every nation in Europe (and in fact nearly every nation in the world) should still retain, more than four years after the end of the war, the totalitarian device of exchange control. This device was first introduced to the world by Soviet Russia and Hitler Germany. With exchange control usually goes the whole network of import prohibitions, licenses, quotas, bilateralism, "drawing rights," multiple currencies, currency inconvertibility, allocations of raw materials, government planning, price fixing, profit fixing and wage fixing that together constitute complete economic regimentation, kill incentives and strangle recovery and production.

Setback to Economic Freedom

The sad fact is that our government foreign aid program has had exactly the opposite effect of the one its supporters hope for. It has slowed down the pace of economic recovery instead of increasing it. It has set back economic freedom instead of promoting it.

Let us imagine, for example, that the Marshall Plan had never been devised or put into effect. Europeans would still have had a great need for American capital. They could have got it only by applying for private loans. And they could have got these only by restoring the confidence of American private investors.

Reforms to Satisfy Private Lenders

It is not difficult to specify the reforms Europeans would have had to make to inspire such confidence:

(1) They would have had to assure anybody who put money into Europe that he could get it out again. This means that they would have had to make their own currencies freely convertible into dollars. They could have done this simply by dismantling their wartime exchange control.

(2) They would have had to assure foreigners holding pounds, francs or lire that these currencies would not depreciate. This means that they would have had to halt monetary inflation. To do this they would have had to return to balanced budgets.

(3) To return to balanced budgets European governments would have had to give up nationalization, which has meant huge deficits in the nationalized industries. They would have had to reduce to manageable dimensions food subsidies and overgrown relief and "social security" programs.

(4) They would have had to stop threatening still further nationalization, expropriation, and seizure.

(5) They would have had to relax or abandon controls over wages, prices, interest rates, and profits.

(6) They would have had to reduce excessive taxation.

Our Futile Exhortations

If Europe had been obliged to attract private capital, such reforms would already have gone much further than they have. They would have brought not only far more production, but the freer and more balanced trade, the "currency convertibility," the "multilateralism," and the "integration" for which our ECA officials have made futile exhortations.

The reason for their futility is clear. As long as foreign governments can pick up easy money from our own government they don't have to make these reforms.

As a result European recovery has not only been slow and precarious, but the recovery that has taken place has been in the wrong direction. Production indexes have gone up; but the added production is not primarily for export, as it should be, but for home consumption. So foreign trade is still unbalanced; Europe's trade deficit continues, and its self-induced "dollar shortage" remains.

The dilemma of the Marshall Plan, the dilemma of every government-to-government "loan" or gift, is plain. If our government imposes no conditions on its handout, the money is worse than wasted. If it does impose conditions, they provoke foreign resentment.

ECA's Hopeless Dilemma

Our ECA officials vacillate between the horns of this dilemma. First they say that they won't interfere in the "internal" affairs of these countries. Then, of course, the European governments getting our aid make in return practically none of the economic reforms so desperately needed. The British bureaucrats repay us by discriminating against American motion pictures and American oil companies. The French repay us by threatening the sale of Coca-Cola. Then our ECA officials talk of "getting tough." But when it comes to a showdown they dare not risk the international resentment that would follow their insistence on reforms that would be really effective. So we end by subsidizing foreign - government discrimination against our own industries.

Government "loan" and gift programs like the Marshall Plan, to repeat, do not speed up world recovery; they slow it down. We are subsidizing and prolonging statism and socialism abroad, and imperiling our own free-enterprise system to do it.

But I have not come before this distinguished committee to advocate immediate termination of the Marshall Plan. I recognize that such testimony would in any case have been quite futile. I have made the preceding remarks chiefly because I wish to make clear my own conviction that, on purely economic grounds, it would do no harm to terminate ERP when the present appropriation expires on June 30.

But economic grounds are not the only considerations we must take into account. Unfortunately, though there was not the slighest good reason for our doing so, we made an implied promise to continue our Marshall aid for at least four years. We would only bring on recriminations and charges of bad faith if we were to terminate it now.

More Drastic Tapering-off Needed

On the other hand, even the ECA now talks of terminating aid in 1952 and of cutting next year's appropriation by some 22% below that for the current year. But if ERP is to run for only two years more, the logical way to taper off would be to cut the appropriation by one-third now and by a second third for the following year. The appropriation for the current fiscal year was $3,778,000,000. This should be cut to, say $2,520,000,000 for the 1951 fiscal year and to $1,260,000,000 for 1952.

To cut the appropriation by only 25% or less now, would either imply at least a three years continuance or require European governments to make a disproportionate adjustment at the end of the second year. It seems more reasonable to reduce Marshall aid by $1,260,000,000 in each of the next three years than to cut it by only $828,000,000 now and by, say, a similar amount in the following year, and by the remaining $2,122,000,000 in the third year.

(I may say parenthetically at this point that the figures I have citied above may not correspond exactly with the figures before the committee. I am going on the assumption that the proposed authorization of $2,950,000,000 for ERP for the next fiscal year is to be compared with an appropriation of $3,778,000,000 for the current fiscal year. I have not had an opportunity to determine whether in all items these two figures are exactly comparable with each other. But I trust the foregoing figures will do for illustrative purposes.)

The point I am making is that if we seriously plan to terminate the ERP program even in 1952 we should begin to do it right now by equal, proportional cuts each year, instead of cutting too little now and leaving a disproportionately large cut to be made at the termination of the program. For if Congress adopts this latter course, then when 1952 comes around it is sure to be told that it is asking Europe to make too drastic an adjustment in a single year. Great pressure will then be put upon Congress to make still another so-called "transitional" appropriation.

Early Action Needed

If Congress decides to taper off Marshall aid in the simple, equal, proportionate way that I have just suggested, it should obviously act as soon as possible. I think it is also important that it should authorize *now* the appropriation *both* for 1951 and for 1952. The purpose of acting ahead of time in this way would be to give European governments plenty of advance notice concerning how much they could expect to receive from us. This would enable them to make their plans accordingly. And it would also forestall what would otherwise be constant propaganda for larger and continuing aid.

The truth is that the amount set for ERP aid has always been an entirely arbitrary figure. There is no way in which a figure of so-called European "needs" or of a so-called "excess" here above our own needs can be objectively or scientifically determined. The amount fixed has been arbitrary from the beginning. To recognize this frankly would lead to enormous administrative simplification. Congress could simply direct that the reduced total sums it appropriated should be divided among the individual governments in the same ratio as in the current year. This would take from ECA officials a burden of decision that should never have been placed upon them.

In fact, the whole ECA bureaucracy was unnecessary from the first. The elaborate ritual of "counterpart funds" and other such special earmarked accounts is meaningless as a real control. It merely serves to confuse both Europeans and ourselves. All Congress need do is to authorize the Secretary of the Treasury to pay checks at regular intervals to the ambassadors of the recipient European governments. The ineffective but much-resented interferences of the ECA in the economic policies of these governments would halt. These governments would probably still have as strong an incentive to reform as present ECA pressure provides. It would be the definite knowledge that the aid was coming to an end.

"Clearing Union" Just Another Futility

Such a plan woud be far superior to the proposed new "clearing union" for Europe. This "union" would be merely one more futile effort to do what the existing International Monetary Fund is already supposed — and has failed—to do. It would actually apply "incentives" in reverse" by giving the most to the countries that succeeded in getting themselves the biggest trade deficits.

Simply to give checks to the European governments, without conditions, would be at least the simplest plan that we could adopt. It would be least likely to be misunderstood. On purely *political* grounds it is probably also the best plan open to us, because it would give no ground whatever for the criticism that we were trying to interfere in the "internal" affairs of the governments concerned.

For purposes of identification I shall call this Plan A.

But this brings us back to our original dilemma, which is inherent in all government-to-government "loans" and grants. By not putting any conditions on our loans we avoid the charge of interference or domination; but we are unlikely to get the reforms in Europe necessary to make our aid effective. Certainly we are unlikely to get the reforms necessary to give our aid its *maximum* effectiveness.

Congress may quite properly prefer to insist on economic and financial reforms in Europe in exchange for our aid. In that case the best plan would still be to abolish the ECA bureaucracy and turn over our future aid program to the Export-Import Bank.

I should perhaps say a word here as to the reasons why it is important to abolish the ECA bureaucracy that has been set up to administer our European aid program. The first reason is, of course, that of immediate economy. Obviously we should not have on the payroll any officeholders that are not needed. If the distribution of ECA funds can be carried on without such officeholders, it ought to be.

Congress' Own Function

The second reason is that Congress should not leave to bureaucratic discretion the conditions and policies that it is Congress' own function and duty to prescribe.

The present extremely wide range of administrative discretion for ECA officials has several disadvantages. For these officials then proceed to announce from time to time, in the name of Congress, policies which are not only dubious in themselves, but may not at all represent the policies that the majority of Congress would approve. Mr. Paul Hoffman, for example, has quite properly objected to the practice in Europe of what is called "double pricing" of coal and other commodities. But this is only a minor evil, affecting a comparative handful of commodities. The continuance of exchange control, on the other hand, is a major evil. It is almost the keystone of the European control system which prevents the restoration of freedom of trade and the balancing of such trade. It affects not one or two prices, but every import price and every export price whatever. Yet Mr. Hoffman seems to be relatively unconcerned about the continuance of exchange control. and assumes that continuance in all his own plans. This applies, for example, to his proposed "clearing union," an institution of very dubious value. Everything that it proposes to do could be far better done by the simple abolition of exchange control. Again we are surprised to find ECA officials urging Italy toward the expropriation of land, or insisting that Germany impose more controls on its economy and move toward a controlled economy instead of toward a free one. I think all these policies dubious, and I think it still more doubtful that Congress would approve each of them it if were brought to a vote.

ECA Power Only Discretionary

But even when ECA officials insist on European policies of which Congress would approve, the mere fact that the power of such officials is merely discretionary, and known both by themselves and by European governments to be so, makes these powers ineffective. Mr. Hoffman may try to say, for example, that he is not going to give the British government any more Marshall aid funds as long as it discriminates against American oil; but the British officials may feel that Mr. Hoffman would not dare to take the personal responsibility for withholding such funds, and they may therefore ignore this request of his as they have others. Again, all ECA officials want to be *persona grata* with the foreign governments with which they are dealing; if they are stationed in any country they want to be liked there, and they are afraid to get tough and take the personal onus of withholding funds.

Another disadvantage of this system of administrative discretion is that it can so easily become discriminatory, or be thought discriminatory. Some foreign governments doubtless feel that they are being asked to make greater reforms or sacrifices to get American aid than are other foreign governments.

Common Bureaucratic Weakness

Finally, a weakness of the ECA bureaucracy is a weakness common to all bureaucracies. Many of the people who hold an office under the ECA want to continue in that office. Many of the officials of the ECA, therefore, tend to become propagandists for the prolongation or perpetuation of the Marshall Plan. Their testimony in favor of continuing this plan, and in favor of appropriations of a given magnitude, cannot always be regarded as wholly objective.

(I should perhaps say at this point that my recommendation that we eliminate unnecessary officeholders is not meant as a reflection upon either the competence or motives of any individual official. Many of the officials of ECA are men of unusual ability and are acting from the highest patriotic motives. I am merely suggesting the elimination of the ECA for general organizational and policy reasons.)

Turn Program Over to Ex-Imp Bank

I wish to return now to what I should like to identify as Plan B, which would be to abolish the ECA bureaucracy and turn our future European aid program over to the Export-Import Bank. I have no reason for preferring the Export-Import Bank bureaucracy to the ECA bureaucracy; but the Export-Import Bank already exists; it is capable of handling this program along with the work it already does; and to turn the program over to it would simply eliminate unnecessary duplication of organizations and officeholders.

Under Plan B the Export-Import Bank should be authorized to make loans guaranteed by European governments that conformed to half a dozen simple but mandatory requirements of eligibility unequivocally laid down by Congress. For example:

(1) No loan should be made directly to any government, but only to some specific productive enterprise, private or governmental. Each loan must be fully guaranteed, however, by the government of the borrowing country.

(2) If the loan is to a going enterprise, private or governmental, that enterprise must be currently operating at a profit.

(3) If the loan is made to start any new enterprise, that enterprise must be private. Native investors must supply equity capi-

tal equal to not less than, say, a third of the total capital.

(4) The guaranteeing government must itself be operating on a balanced or over-balanced budget.

(5) The borrowing country's volume of money and bank credit must at least not be growing faster than its physical volume of production.

(6) The borrowing country must at all times maintain free convertibility of its currency, if not by going on a gold or dollar basis, then at least by permitting free exchange rates.

The general purpose of these conditions of eligibility would be simply to put pressure on European governments to begin to make, before the expiration of the Marshall Plan, the reforms that they would have to make after its expiration if they hoped to attract American private investments.

It may be objected to Plan B that few European governments would be willing to make the reforms necessary to qualify for such loans. But as long as governments do not make these reforms, our aid to them is misdirected and wasted anyway.

We Must Exert Discipline

Congress might provide that if at the end of six months, say, any governments had not availed themselves of the loanable funds allotted to them, these funds could be made available instead, in the already established ratios, to governments that did conform with the eligibility requirements.

Plan A and Plan B are, of course, alternatives. They could not be in effect simultaneously. But Congress could, if it wished, put Plan A into effect for, say, six months or a year to give European governments plenty of time to adopt the reforms necessary to make themselves eligible as guarantors for loans from the United States under Plan B.

For example: Congress might take the amount of appropriations suggested by the ECA for the full fiscal year 1951, cut it in half, and authorize the ECA to continue to distribute these funds until Dec. 31 of this year. Its legislation might then provide that on Jan. 1 of 1951 the Export-Import Bank would take over, and be authorized not to distribute gifts, but to make loans under the conditions of eligibility Congress had laid down. This would give the European governments until the end of this year to make themselves eligible as guarantors for Export-Import Bank loans to projects in their countries.

Mr. Hoffman's Candor

At this point I cannot avoid commenting upon the extraordinary testimony of Mr. Hoffman before this committee on Feb. 24, in which he actually declared that it would be "an immoral act" for Congress to extend Marshall aid to Europe in the form of repayable loans. He went on to say that "it will take 50 years for Europe to come back to where she can buy and pay for what they need from us and service already existing loans."

Now this is the exact reverse of what we were told when the Marshall Plan was first proposed. Then we were told that the Marshall Plan was not for "relief" but for "reconstruction" and "recovery." The supporters of the Marshall Plan at that time frequently compared Europe to a factory that had the building and the available manpower, but needed loans from us to enable it to put the machinery in repair, and pay the wages and buy the raw materials to get started. Now if this analogy had been a true one, then, just as the factory could easily have paid off the loans from the proceeds of the sales of what it manufactured, with a profit left over, so Europe could have paid off these government loans if those loans had actually been sound. In fact, if this analogy had been a true one, what really would be immoral would be to have the owners of this factory borrow money to buy raw materials, turn these raw materials into finished goods, sell the finished goods at a profit, either at home or abroad, and then not repay the loan at all out of the proceeds, but continue to receive raw materials as gifts while they were paid in full for the finished product.

The Great American Dole

What Mr. Hoffman is saying now is, in effect, that our Marshall aid is in fact mere relief, a mere dole, that it is not sound from a business point of view, because Europe is not in fact currently producing the goods out of which it could and should repay the loans. He is saying, in effect, that Europe is on an American dole now, and he is implying that it will continue to be on an American dole for at least 50 years more. I can put no other interpretation than this on Mr. Hoffman's contention that Europe ought not to get sound repayable loans instead of continued handouts in the form of gifts.

The British Loan

Finally, I should like to suggest what I shall call Plan C. This is not a third alternative; it could be combined with either A or B. Under Plan C we would offer to forgive our entire loan of $3,750,000,000 to the British Government in lieu of further advances to that government under ERP. As these advances do not promise to be more than about $1,250,000,000, in the next two years in any case, the British Government should be greatly tempted to avail itself of such a choice. It would be relieved of $3,750,000,000 in indebtedness, and it would improve its net position by some $2,250,000,000. From our standpoint, it would save us about $1,250,000,000 in further cash advances. And it would remove what will be otherwise a source of resentment and recrimination between Britain and America for many years. This is precisely the opposite of the original purpose of the loan.

In Conclusion

In conclusion, I wish to say this. Members of this committee could easily point out that there are inconsistencies not only between the various proposals I have just made, but between each of these proposals and certain general principles that I have put forward. I admit these inconsistencies; but they are inherent in the very nature of government - to - government "loans" and gifts. It has been said, for example, that to put conditions on our aid to Europe is both necessary and impossible. I agree with this paradox. Its existence is merely one of the reasons why some of us thought that the so-called European Recovery Program was ill-conceived in the first place.

But we have the program, and we have the implied obligation to continue it. The problems that we face are these. How can we taper off this program in the way at once most economical for our own taxpayers and most likely to promote world recovery? How can we taper off the program in such a way that we really bring it to an end in 1952, without international recriminations and without making the shock of economic adjustment in 1953 too severe?

It is toward the solution of these problems that I have ventured to place the foregoing proposals before your committee.

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since not only have the underwriters represented that a stated number of shares were to be publicly offered at a specified price, but shortly after the commencement of such offering they have stated that the issue had been heavily over-subscribed and that the available supply was exhausted."

The Commission, pointing out that it was necessary to clarify doubts in the financial community as to the propriety of "such practices," proposed "Rule X-15C2-3," which follows:

"(a) The terms 'fraudulent, deceptive, or manipulative act or practice,' as used in section 15(c)(2) of the Act, is hereby defined to include any act or practice of a broker or dealer who receives a concession from the public offering price in connection with any distribution of securities registered pursuant to the Securities Act of 1933 or exempted pursuant to Regulation A under that Act, or who otherwise participates in any such distribution, which act or practice is effected for the purpose of distributing any of such securities above the initial public offering price specified in the prospectus filed pursuant to the Securities Act of 1933 or the letter of notification filed pursuant to Regulation A.

"(b) In order to prevent any act or practice defined as 'fraudulent, deceptive or manipulative' in paragraph (a) of this rule, no such broker or dealer shall make use of the mails or of any means or instrumentality of interstate commerce to sell or to induce or attempt to induce any person to buy, otherwise than on a national securities exchange, any security comprising an undistributed part of any such offering unless (1) the sale or offer is part of a bona fide attempt to distribute the security and is not above the initial public offering price specified in the prospectus or letter of notification, or (2) such broker or dealer has made a bona fide attempt for a reasonable time to distribute the security at no more than such public offering price. No sale or offer shall be deemed to be a part of a bona fide attempt to distribute a security where such sale or offer is to a partner, officer, director, or employee of such broker or dealer or to any person controlling, controlled by, or under common control with such broker or dealer or to any account in which such broker or dealer or any such person has a beneficial interest.

"(c) This rule shall not apply (1) to any sale or offer of a security initially retained for investment, pursuant to a specific disclosure to that effect made in the prospectus or letter of notification, by any person named therein as an underwriter, or (2) to any sale or offer of a security acquired by any broker or dealer more than thirty days after the date of the initial public offering, or (3) to any sale of a redeemable security issued by a registered investment company within the meaning of the Investment Company Act of 1940."

Now comes the National Association of Securities Dealers, via its letter of March 15, 1950, to say that in the Fall of 1946 this matter (viz., free-riding) ceased to be of immediate importance.

The NASD in that letter through the medium of an interpretation (our old friend **interpretation**) gives to its members the following outline of their obligations on this subject:

"(1) Members have a moral obligation to make a bona fide public offering of securities acquired in a participation in an initial public offering. It is the consensus of the Board of Governors and Advisory Council of this Association that, the sale of such securities to any officer, partner, employee or director of a member or to the immediate family of such persons, in excess of their **normal** investment practices, except as otherwise provided in a prospectus, does not as far as that member is concerned constitute a bona fide public offering consistent with high standards of commercial honor and just and equitable principles of trade."

(2) Further: The Board concluded that:

"It is contrary to high standards of commercial honor and just and equitable principles of trade for a member of an underwriting and distributing group to sell all or any part of his participation, during the period of original distribution, at a price above the public offering price. For a member of such a group to refuse to make, or refrain from making, a public offering of all or any part of his participation in order to make an extra profit, over and above his normal compensation as a member of such a group, is also contrary to high standards of commercial honor and just and equitable principles of trade.

"Examples of the types of activity which the Board of Governors and Advisory Council believe would appear to constitute activity in contravention of the principles of Section 1 of Article III of the Rules of Fair Practice are:

"(a) Failure of a member who participates in a public distribution of securities to make a genuine effort, for a reasonable period of time, to sell its allotment to bona fide investors at prices not exceeding the public offering price.

"(b) The withholding of all or any portion of a participant's allotment from public purchasers, in order that the securities withheld may be disposed of at prices above the initial public offering price, regardless of whether such withholding is accomplished directly in the participant's firm account or indirectly by any of the following means:

"(1) Allotment to the account of any officer, director, partner, employee or agent of the participant;

"(2) In the account of a member of the immediate family of any of the persons specified under (1);

"(3) In any account in which any person specified under (1) and (2) has a beneficial interest;

"(4) Sale to another broker-dealer under any arrangement or reciprocity with the participant; or

"(5) By any other means designed to accomplish any of the above ends.

"(c) Representing to prospective purchasers that the member's allotment has been wholly disposed of, when, in fact, some portions of it is withheld from public purchasers as a speculation, either directly in the participant's firm account or indirectly by any of the means specified in paragraph B.

"For the purposes of this interpretation the term 'initial public offering' or 'period of original distribution' is intended to mean a sufficient period within which a bona fide public offering can be and has been made to the investing public, and investors have had an opportunity to purchase the issue at the initial public offering price."

Let us here have a resume of the historical sequence.

(1) The decision of Treanor in 1943.

(2) The apparent conclusion of the Commission that this was not enough and that there existed the necessity for the promulgation of a rule on the subject.

(3) The revival by NASD of the subject matter in its

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letter of March 15, 1950 in the absence of the passage of proposed Rule X15C2-3.

The whole administrative background of free-riding clearly demonstrates how nebulous is the phrase "high standards of commercial honor and just and equitable principles of trade."

It is a rehashing of the old legerdemain, "Now you see it. Now you don't." First the Commission renders a decision by the Director of its Trading and Exchange Division. Then it thinks a rule is necessary. The SEC circulates but does not adopt this rule. The NASD through the medium of an interpretation of its Rules of Fair Practice now seeks to vitalize the abandoned "free-riding" rule of the SEC.

You will remember the agility of the NASD in by-passing its membership by avoiding a rule and interpreting its members into the "5% spread yardstick." Here we go again. Contrary to the SEC contention that to overcome "free-riding" a rule is necessary, the NASD is up to its old hocus pocus which in our belief is SEC inspired.

Here again we would like to know what inter-official and other conferences there were between the SEC and the NASD which gave rise to the latter's "free-riding" interpretations circulated March 15, 1950. We believe that if the facts of these *en camera* conferences were made known it would be disclosed that the NASD is pulling SEC chestnuts out of the fire by the Commission's direction.

Attempts are being made to allay the opposition of the securities field by declaring that in the absence of an NASD interpretation there will be an SEC rule, and that the former is to be preferred to the latter. All bunk! There is no difference. The SEC orders its progeny, the NASD, at will. The Commission gets pretty much what it wants in the form that it desires, always remembering that it has life and death powers over any Maloney Association. Therein lies the viciousness of the Maloney Act. Because of its structure there can be no independent securities associations under it, but only subservient ones.

We decry giving ugly and misleading names to perfectly proper procedures. The primary distribution of securities has a long and well known record. Trade custom and usage have clearly defined the incident practices. When an underwriter and his partners contract to dispose of an issue on a firm basis and that issue goes sour or, as some term it, becomes sticky, these participants are expected to take their losses. However, when there is a sound market and a chance for real profits, in come the two policemen working out of the same precinct (the SEC and the NASD) to dictate what may or may not be done.

These administrative groups create new definitions of fraud, thereby assuming and usurping non-delegable legislative functions.

We blame the SEC primarily. In the NASD there are some fine elements finding themselves hamstrung through the Commission's statutory and dictatorial powers, and its constant reaching out for extensions of those powers and the acquisition of new ones.

Where and when will this juggernaut be stopped? When will courage in the securities field replace fear of reprisal, and an indignant industry rise to the dignity of maturity and make itself heard in opposition to these power grabs?

Joins J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Avigdor M. Morgan is with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Joins Wood, Struthers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Lucius T. Hill has been added to the staff of Wood, Struthers & Co., 19 Congress Street.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CAL. — Loren S. Smith has been added to the staff of Dean Witter & Co., Patterson Bldg.

F. M. Heimerdinger Dead

Frederick M. Heimerdinger died at his home at the age of 53. Mr. Heimerdinger, until his retirement in 1947, was a partner in Emanuel & Co. and its successor.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Paul F. Craig is now with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Heber H. Clark has been added to the staff of King Merritt & Company, Chamber of Commerce Building.

COMING EVENTS

In Investment Field

March 23, 1950 (Philadelphia, Pa.)
Luncheon meeting of Philadelphia Securities Association at the Hotel Adelphia.

March 29-30, 1950 (Chicago, Ill.)
Central States Group of Investment Bankers Association of America annual conference at The Drake.

March 29, 1950 (New York City)
Bond Club of New York annual dinner at the Waldorf-Astoria.

April 21, 1950 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

April 28-30 (Greensboro, N. C.)
Southeastern Group of the Investment Bankers Association Spring Meeting at the Sedgefield Inn.

May 4-5, 1950 (San Antonio, Tex.)
Texas Group Investment Bankers Association annual meeting at the Plaza Hotel.

May 26, 1950 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati Annual Spring Party and Outing at the Kenwood Country Club (to be preceded by a cocktail party and dinner May 25 for out-of-town guests).

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

June 14, 1950 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 16-18, 1950 (Minneapolis, Minn.)
Twin City Security Traders Association summer party at Grandview Lodge, Gull Lake, near Brainerd, Minn.

June 26-27, 1950 (Detroit, Mich)
Security Traders Association of Detroit & Michigan, Inc., and Bond Club of Detroit joint summer outing and golf outing at Plum Hollow.

Sept. 26-30, 1950 (Virginia Beach, Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Phila. Secs. Assn. To Hear Batt

PHILADELPHIA, PA. — Newlin F. Davis, Jr., Kidder, Peabody & Co., President of the Philadelphia Securities Association, announces that William L. Batt, President of SKF Industries, Inc., will be guest speaker at the Association's luncheon today at the Hotel Adelphia.

"The United States' Stake in the Foreign Economic Situation" will be the topic of Mr. Batt's address.

Minugh Adv. Mgr. Of First Boston

Announcement is made by the First Boston Corp., 100 Broadway, New York City, of the appointment of Louis E. Minugh as manager of the advertising department. His headquarters are in New York. Mr. Minugh has been associated with the corporation since 1935.

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The State of Trade and Industry

an interruption of production, but at present the outlook is for a high rate of uninterrupted steel production with cancellations practically nonexistant.

The steelmakers, however, are still wary of the market. To them, it is too good to be true. Bitter experience has taught them that when retail stores are well stocked with goods, warehouses full, supply lines clogged and consumer buying slows just a little, steel orders can drop clear out of sight, this trade authority points out.

Foremost among those people applying pressure to the steel market are the auto makers, appliance manufacturers and farm implement builders. They have enough steel to keep their operations at capacity, but are still scurrying about, making certain they don't run out.

This week there is more conversion activity than there has been since the early part of 1949. And it is increasing. A careful check by "Iron Age" editors in widely separated points shows that conversion has been on the upgrade for the past several weeks. This is due mainly to medium-size and small firms coming in for tonnage. Until recently most conversion was by big firms.

Conversion by auto makers will undoubtedly fade after June. It may disappear completely within the following 60 days, this trade authority states. But the auto makers insist that if this happens it will be because of better supplies from the mills and not because of a big reduction in auto production schedules.

The appliance industry's impact on the steel market is out of proportion to its tonnage requirements because the type of steel it needs is the type in shortest supply—sheets. Appliance makers are helping keep warehouses cleaned out and snapping up occasional surplus stocks from less active industrial plants. They report that dealers' stocks of appliances are below normal for this season and that factory stocks are practically zero, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 95.5% of capacity for the week beginning March 20, 1950. This is an advance of 5.7 points from last week's rate of 89.8%.

Output this week will be the highest since the week of April 11, 1949, when production reached 1,828,800 tons.

This week's operating rate is equivalent to 1,820,500 tons of steel ingots and castings for the entire industry compared to 1,711,800 tons one week ago. A month ago the rate was 88.8% and production amounted to 1,692,800 tons; a year ago it stood at 101.1% and 1,863,800 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT APPROACHES ALL-TIME HIGH RECORD SET IN WEEK ENDED FEB. 4

The amount of electrical energy distributed by the electric light and power industry for the week ended March 18 was estimated at 6,015,327,000 kwh., according to the Edison Electric Institute.

The all-time high record output in the industry's history amounted to 6,062,095,000 kwh. which was attained on Feb. 4, 1950. The previous high totaled 6,041,158,000 kwh. on Jan. 21, 1950.

It was 78,741,000 kwh. higher than the figure reported for the previous week, 519,558,000 kwh., or 9.5% above the total output for the week ended March 19, 1949, and 869,897,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS SUBSTANTIALLY IMPROVED BY HEAVIER COAL SHIPMENTS IN WEEK ENDED MARCH 11

Loadings of revenue freight for the week ended March 11, 1950, totaled 707,962 cars, according to the Association of American Railroads. This was an increase of 133,567 cars, or 23.3% above the preceding week due principally to the increased shipments of coal.

Coal loading amounted to 191,978 cars, an increase of 52,897 cars above the corresponding week a year ago, and an increase of 133,795 cars above the preceding week this year.

The week's total represented a decrease of 1,364 cars, or 0.2% below the corresponding week in 1949 and 88,524 cars, or 11.1% under the comparable period in 1948.

AUTO OUTPUT SHOWS FURTHER EXPANSION IN LATEST WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada expanded to an estimated 134,555 units compared with the previous week's total of 124,563 (revised) units.

The total output for the current week was made up of 103,114 cars and 25,014 trucks built in the United States and a total of 4,746 cars and 1,681 trucks built in Canada.

The week's total compares with 120,741 units produced in the like 1949 week.

BUSINESS FAILURES TURN DOWNWARD

Commercial and industrial failures declined to 208 in the week ended March 16 from 221 in the preceding week and 210 a year ago, Dun & Bradstreet, Inc., reports. For the second time this year, casualties were below the comparable 1949 level. They exceeded the 106 in the similar 1948 week. Failures were 30% below the similar week of prewar 1939 when 298 businesses succumbed.

Fewer businesses failed than last year in nearly all areas. The only district having more failures was the Pacific Region,

while the South Atlantic and Mountain States were unchanged from 1949.

WHOLESALE FOOD PRICE INDEX DROPS TO LOWEST LEVEL IN FOUR WEEK PERIOD

The wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped four cents this week to stand at $5.81 on March 14, the lowest level in four weeks. The current figure is 0.3% above the comparable 1949 index of $5.79, but it represents a decline of 13.3% from the $6.70 recorded on the like date two years ago.

WHOLESALE COMMODITY PRICE INDEX TURNS IRREGULAR AFTER REGISTERING NEW HIGH FOR YEAR EARLY IN WEEK

Continuing its up and down movement, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 249.45 on March 14, after touching a new high for the year early in the week. The latest figure compared with 249.79 a week earlier and with 256.34 at this time a year ago.

Grain market activity continued to expand last week. Wheat showed further strength influenced largely by less favorable crop reports from the Southwest and the allocation by the ECA of additional funds for the purchase of wheat for export.

Corn prices finished about even with a week ago although the market tended to drag at times as the result of increased country offerings. Mid-week strength in the yellow cereal reflected removal of hedges against export sales and the belief that export demand will continue for some time. Interest in oats increased with prices firmer; improvement in the cash market stemmed from a revival of shipping demand from Eastern and Southeastern areas, together with lessened competition with Canadian oats.

Business in the domestic flour market remained slow, while buying for export reached a fairly substantial volume. The coffee market developed a weaker tone as estimates for the Brazil crop for this year were revised upward. Cocoa registered further declines the past week as the result of liquidation prompted by reports that the British asking price on West African cocoa had been lowered. Lard prices were somewhat firmer despite weakness in hogs. Improved demand for lard reflected its relative cheapness as compared with competing vegetable oils. Liberal hog receipts exerted a downward pressure on prices in the Chicago livestock market. Steers were steady to slightly lower for the week. Lambs declined sharply in late trading after touching new seasonal peaks at mid-week.

Cotton prices again moved lower following irregular fluctuations during the week. Weakness was attributed to profit-taking attracted by previous advances, speculative liquidation influenced by easiness in securities markets, and continued dullness in the cotton goods market.

RETAIL TRADE IMPROVED BY RETURN OF SEASONAL WEATHER—WHOLESALE TRADE DOLLAR VOLUME SLIGHTLY ABOVE 1949 WEEK

With a return of seasonal weather to many localities, retail buying rose slightly in the period ended on Wednesday of last week; over-all dollar volume was slightly below the level for the comparable week in 1949, according to Dun & Bradstreet, Inc., in its current review of trade. There was little evidence of a sizable Easter trade as yet. The continuance of some strikes served to inhibit sales in scattered communities.

Shoppers bought slightly more apparel than in the previous week. Ready-to-wear dresses were favored, as were women's sportswear and accessories; the demand for coats and suits was practically unchanged. Men's shirt sales were greater and the popularity of shoes, neckwear and spring hats helped to raise the general level of men's furnishings.

The dollar volume of retail food purchases remained steady in the week.

Housewives bought a larger unit volume than in the week previous but were increasingly price-conscious.

Buying of housewares rose moderately last week, as did floor-coverings and electric appliances with television sets continuing to be among the largest-selling items. The demand for furniture frequently increased where it was promoted with generally less interest in case goods than in upholstered lines.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from unchanged to 4% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Pacific Coast +2 to —2; East and Northwest —1 to —5; South and Southwest 0 to —4, and Midwest —2 to —6.

There was no appreciable change in the dollar volume of wholsale orders during the week. However, it was slightly above the level for the comparable week in 1949. Scattered trade shows helped to account for the sustained ordering. The number of buyers at many wholesale centers rose slightly, but it was below that of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended March 11, 1950, showed a decline of 1% from the like period of last year. In the preceding week no change was registered from the like week of 1949. For the four weeks ended March 11, 1950, sales reflected a decline of 1% from the corresponding period a year ago, but for the year to date show a drop of 4%.

Activity marked retail trade in New York last week, but on a comparative basis dollar volume was lower than that for 1949.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to March 11, 1950, fell 2% from the like period last year. In the preceding week an advance of 1% (revised) was registered from the similar week of 1949. For the four weeks ended March 11, 1950, a decrease of 4% was reported from the like week of last year. For the year to date volume decreased by 6%.

Our Reporter's Report

Bankers slated to handle the marketing of 2,000,000 shares of Equitable Gas Co. of Pittsburgh, Pa., which are being sold by The Philadelphia Co., Standard Gas & Electric Co. subsidiary, are taking a page from the book of another large firm which has handled several of these huge undertakings.

The successful procedure in the latter case called for meetings with dealers around a number of important points at which officials of the issuing corporation would seek to familiarize the distributors with the salient facts about the company.

This phase of the operation is already underway and should go a long way toward simplifying the operation and assuring its success.

The Securities and Exchange Commission exempted this undertaking from compliance with the rule calling for competitive bidding, presumably by reason of its large size, and permitted the issuer to "shop around" for bids.

Five groups were interested and their bids ranged from a high of $22.81 a share down to a low of $20.75 a share. The group which captured the business plans a reoffering price of 24⅛ with a concession of 85 cents a share to dealers.

With investors seemingly more "stock-minded" than bond conscious momentarily, the distribution appears to be accompanied by the proper "backdrop."

Stocks in Demand

There is no gainsaying the fact that the market for equities is brisk. This has been demonstrated on successive occasions since the turn of the year and again became apparent with the present offering of 400,000 shares of common stock of Texas Utilities Co.

Put up for bids on Tuesday, this block attracted five bids with the range of prices offered indicating that the competitors were thinking pretty much along the sale line.

The successful group paid the company $24.27 a share and fixed a reoffering price of $25 a share with a 50-cent concession to dealers. Reports indicated the big block of shares moved out quickly.

Appalachian Electric Power

Potential buyers do not appear in any great haste at the moment to pick up new offerings of top-grade bonds. Recent issues of this nature have been a bit on the sluggish side and this was true again in the case of Appalachian Electric Power Co.'s $25,000,000 of new 30-year, first mortgage bonds.

Four groups sought the issue with the winning syndicate paying a price of 102.4352 for a 2⅞% coupon. The spread between this and the lowest bid was about $2.11 a bond.

Set for reoffering at 102.95 to yield about 2.73%, the issue was reported to be a little on the slow side.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The ink was hardly dry in last week's column when the market staged one of its tantrums and whooped it up on the up-side. Immediately the stories went the rounds that this was it. This was the long awaited signal for the market to get up off its haunches and climb back to the higher levels that everybody was so long waiting for.

* * *

At this point I could inject a self congratulatory note with an "I told you so." And it isn't modesty that stops me. To be right on the market is seldom as satisfactory as to know what will happen next. Unfortunately (or fortunately —depending on what side of the fence you're on) we haven't been provided with such extra-sensory powers. Anyway I haven't.

* * *

There's little doubt that the majority opinion at this writing favors the bull side. To this I say, fine. The more people there are who are willing to buy them the higher the market will go. Sentiment and realism, however, have little in common.

* * *

After much dawdling the familiar averages went up to a new high for the year. So far so good. It gave the long awaited promise that so many were waiting for. But present day markets act differently from those some of us were raised on. When a market goes up today and establishes a new high for the year, it must have sufficient momentum stored up to follow through the next and the next day. If such momentum fails to materialize, the whole thing is suspect.

* * *

At this point various theories can be paraded to justify a predetermined belief. I have no theories. I have a desire to buy them before they go up, ride them on the way up and step out when there are enough buyers around to let me out with a profit. If they don't go up I take a quick look around as to what's stopping them, and if what's stopping them is enough to stop other stocks too, then I step away.

* * *

Such is the situation today. Any hesitation at this point, particularly when it follows a move which in turn followed a protracted dull period, gives rise to a suspicion that either the buying isn't strong enough or the selling is too strong.

* * *

There is still another possibility. Instead of a straight up move the market will go into another period of dullness though at a higher level. Whichever happens it will mean a slack time for the bulls. As I've stated time and again, I'm neither a bull nor a bear. I'm in this thing for profits. When the chances of making it lessen I let somebody else do the worrying.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Reynolds & Co. Places Privately Securities of Affil. Gas Equipment

Lyle C. Harvey, President of Affiliated Gas Equipment, Inc., this month announced that a small group of investment trusts and private investors had purchased from this corporation at private sale an issue of 200,000 shares of its common stock (par $1) at the purchase price of $10.65 per share and that the corporation recently obtained an additional $1,100,000 long-term loan from three insurance companies, viz.: The Massachusetts Mutual Life Insurance Co., the Penn Mutual Life Insurance Co. and the State Mutual Life Assurance Co. This financing was arranged through Reynolds & Co., investment bankers. The proceeds will be used to pay for the new plant of the company at Indianapolis, Ind., its equipment, and for additional working capital to finance expected sales expansion, according to Mr. Harvey.

The insurance firms had previously granted Affiliated a long-term loan of $4,000,000. In February, this loan was reduced by $200,000, thereby leaving a total balance of $4,900,000 outstanding in insurance company loans, including the recent addition.

According to Mr. Harvey, "sales volume currently is more than 20% ahead of the same period in 1949."

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Observations . . .

ing through interstellar space, or with most of its people perishing from three-seconds-to-infect-and-three-hours-to-kill germs.

Mr. Javits contends we must come around to the view that it will take just as much money to win the peace as to win a war; that we are the only democracy who can finance either peace or war; and that the initiative is really in our hands—not in those of Stalin and the Politburo. Calculating that the world spent two trillions on slaughter from 1939 to 1946; he asks whether it wouldn't be more sensible to spend the same amount in 50 years on peace and prosperity. We must use our credit facilities and technical skills on a big-time scale (not in the Point IV "minor league") to achieve a "Pax Americana."

Our author's thesis holds that our trillion-dollar financing job should be done in every area of the world; first enriching such key industrial nations as the United Kingdom, France, and Italy; branching through the underdeveloped nations as India and Brazil; and then flowing through the world in a sort of focal-point chain reaction.

Whence is "the money" to come for this super-spending extravaganza? *"The money should come from private American financial and industrial corporations (with the aid where necessary of the United States Treasury), the World Bank and Fund, the Export-Import Bank, or through a World Reconstruction Authority perhaps to be managed by the UN,"* is the Javits' answer.

The Dollar Blind-Spot

The parentheses surrounding the United States Treasury above are Mr. Javits'. But the program's proponents must face the fact that irrespective of whether such indication of it as fulfilling only a minor role in the bill-paying function is justified or not, there can be no question that at least the payment-currency will be dollars. Moreover, those dollars cannot be real money with quantitative backing, but merely promises-to-pay whose multiplication to trillions must at least make important the question of their continuing stability. Other currencies' greater deterioration than the dollar, does not furnish a preventative against future spoliation of the absolute value of the dollar. Already the American dollar is not even as hard as the French franc, whose owner can now ascertain and realize its real value by exchanging it for gold in his free and open home market.

Whether one follows his skepticism or not, at least the viewpoint expressed by Joseph Stagg Lawrence should be carefully weighed:*

"While these various authors of good deeds have been rather careless with the billions upon which a happier future rests, they have in one respect been extremely cautious. None of them has told the American public with what kind of money these bright castles in the air are to be built. Is this future to universal peace and prosperity paved with real money or with Chinese dollars? The question may denote a lack of enlightened vision. It is undeniably pertinent."

Surely a fundamental element indispensable to world economic recovery is maintenance of the strength of the dollar.

As with so many other programs which are called "blueprints," this book leaves some crucial elements as well as details still to be filled in.

The Disadvantage of Distraction

I am also worried over global programs on the score that their promulgation will **divert** the public's attention from the truly pressing problems which are confronting our officials who are busy defending us against foreign aggression 24 hours-the-day. TVA projects on the Jordan may be desirable for the future; but situations like China last year and the Battle for Berlin now are the immediate and truly crucial problems.

Also adoption, or even merely public consideration, of greater global give-away at this time seems to be particularly harmful in pushing back the chance for getting foreigners to adopt the reforms which are so crucially needed. I refer to their continuing totalitarian techniques—whose introduction by Hitler and communist Russia shocked the world—as exchange control, bilateralism, multiple currencies, double-pricing, raw material allocation, price fixing, and import quotas, prohibitions, and licenses. ECA Administrator Paul Hoffman's commendable attempts to get some of these obstructions to recovery eliminated by bribery have proved largely futile, because of the political considerations. Would not the dumping-on of more dollars to the tune of trillions and **without any strings** attached, further sabotage Mr. Hoffman's, the International Chamber's, and all others' constructive efforts to restore the world's sanity, order, recovery and freedom?

Our Tariffs Another Immediate Problem

Mr. Hoffman has been working like a beaver to bring about the $300-$500 million increase in our imports which he feels is necessary to get Europe on the road to solvency in the face of the "pin-point" dislocations in this country's domestic economy which tariff reductions would entail. The importance of our domestic labor and business interests relative to worldwide recovery, and the possible use of subsidization by the United States Government to care for local difficulties, are questions vitally concerning Mr. Hoffman and Secretary Acheson. As a means to establish equilibrium by 1952, they have thrown out the suggestion that, if lowered tariffs would damage domestic manufacturers too severely, the government might accept the financial responsibility of aiding transfers in lines of business. Should these questions not only occupy the consideration of the Javitses?

Likewise, the conflict of a fresh global credit program with the concept and operations of the International Bank and the Export-Import Bank should be taken into account. This column has previously cited the preamble to the International Bank's constitution, showing that the basic purposes of that institution are identical with the investment aims of Point IV. It is to be hoped that proponents of "Peace by Investment" do not want to make its investment operations a mere back-door receptacle for the residue of loans not up to the standard of bankability by the existing international institutions.

These are some of the concrete immediate problems which our global planners, who with sincerity and integrity, are trying to find a way out of the world's awful dilemma, must face!

*From Empire Trust Letter, March 6, 1950, p. 2. Quoted with permission.

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Merchandising Secutities At Merrill Lynch

of us in the securities business. Mr. Merrill had a substantial investment in E. A. Pierce & Co., and also in Merrill Lynch & Co., Inc., and Cassatt & Co. It was in this climate that the initial discussions looking to a consolidation of his interest in these three organizations took place.

There was little prospect of any great amount of personal profit for Mr. Merrill. And there were grave risks, for it was not only his initial investment which furnished the principal amount of capital for the new firm, but also he knew that he would be called upon to make up the largest share of any deficits which might occur.

I do not want to leave the impression that Mr. Merrill embarked on this adventure in the spirit of philanthropy. It is only fair, however, to emphasize that his principal motive was a belief that he could bring a fresh point of view to a firm and an industry which were sorely in need of such a transfusion.

The prodigious personal effort that Mr. Merrill threw into this task no doubt contributed to a serious heart attack he suffered a few years later. While he has not been active in the day-to-day direction of our business for over five years, he is still consulted on every major policy matter, and we all continue to regard him as The Boss. So many things we do today at Merrill Lynch originated in his mind that I want you gentlemen to realize that much of the credit of our good fortune is primarily due to him.

Advertising and Sales Promotion

I have been concerned with advertising and Sales Promotion since 1940. For the past year and a half, I have also been responsible for all sales activities exclusive of commodities. My title is Division Director in charge of Sales. It is my job to get as large a share of the listed business as possible, and also to inspire the sales efforts of our 900-odd registered representatives in over-the-counter business, new issues, trading, etc. I have five principal assistants, each in charge of a Department, which we call On-Board, Off-Board, Trading, Advertising and Sales Promotion. Four of those assistants are partners.

One of our early decisions was to spend some money on advertising. During the nine months of operations in 1940, we ended up with a loss of $308,000. Mr. Merrill decided that our customers were entitled to know how we had fared, so we published our First Annual Report. I wrote that Report, and included in the information we passed out to our customers was a Balance Sheet, a Profit & Loss Statement, and other operating data together with the statement that we had paid $140,000 for advertising.

Fortunately for us, our succeeding years have been profitable. But even if future years show a loss, we will continue to publish the same kind of a report. Our advertising expenditures have increased, until now we are spending around $400,000 a year. Our 1950 budget, for instance, is scheduled at the rate of $35,000 a month, or $420,000 a year.

In the early days, Mr. Merrill and others of us actually wrote the copy. We are not particularly proud of that copy when we look back on it today. There was so little precedent for us to follow, since the tombstone advertisment had acquired some mystical acceptance usually on the grounds of its alleged "dignity." Today we have an Advertising Manager who at one time was Managing Editor of "Business Week," and a full time assistant, and all of the copy is written in our own office.

In 1949, we had 2,774 separate advertisements in 288 different newspapers, 119 advertisements in 30 general magazines, and 230 insertions in 62 trade publications. We used 235 entirely different advertisements, different copy, and different layout, which is almost one new advertisement per business day.

In our advertising we have two objectives. Our first objective is to sell people on the idea of investing in securities. The second objective naturally is to persuade them to do their investing through our firm. Advertisements that we publish to help accomplish the first objective are educational or institutional in nature. We in this business have been guilty of thinking that everybody understood our business. They don't. Now it seems axiomatic that you can't sell a man a Chevrolet or a Ford if he doesn't know about automobiles. It's just as obvious that no man is going to become a customer of Merrill Lynch unless he understands what stocks and bonds are, how he buys them and sells them. A good deal of our advertising is designed to provide him with just this simple information.

Perhaps the most outstanding effort we have made in this direction was the publication of a full-page advertisement last year in 15 newspapers. In this advertisement we took 6,000 words to answer some of the basic questions about the securities business. You would be amazed at the high degree of readership this advertisement had. Buried in the last paragraph of the copy was an offer to send either a reprint of the ad or a copy of our booklet, "How to Invest." This minimum offer produced requests at almost the lowest cost-per-inquiry in our records. More importantly, however, it produced letters from hundreds and hundreds of people saying in effect, "Why didn't somebody tell me this before?" This is an outstanding example of our educational campaign, but many of our other advertisements undertake to explain something of how the securities business works, how a broker can and should be of help to the investor.

Our merchandising ads in contrast to our educational ads, are frankly designed to secure prospect names, but here we are making a constant effort to be more and more selective, so that the names we get will be those of good propsects. We know that if we offer a booklet on an industry, we can get many requests, but only a small portion of them may be seriously interested in investing in that industry. If, on the other hand, we offer reports on individual companies — and our firm produces such appraisals on more than one hundred companies — the responses are apt to come almost entirely from people who either own the securities of those companies or who are seriously considering the purchase of them. The highest quality response we get is from the kind of advertising which we use to offer the services of our Research Division in reviewing any man's investment situation. Very often we make this offer through a case study in which we review what we have done for another. In a very real sense such advertising accomplishes both our educational and our merchandising objectives in one ad.

Merrill Lynch advertising, therefore, has the objective of first, making people want to buy securities, and second, to make them want to do so through our firm. Perhaps it is true for the entire industry — certainly it is true at Merrill Lynch—that today it is far easier for a salesman to get in to see a prospective client than it was ten years ago. Advertising has contributed substantially to that.

While we all know that the best source of new customers in our kind of business comes from leads supplied by presently satisfied customers, in Merrill Lynch a close second are the new customers who come to us directly as a result of advertising.

Striving for New Accounts

It is fundamental in a firm like ours that we simply must strive constantly to open new accounts. Some idea of the importance of these new accounts may be realized in the following figures:

We open about 50,000 new accounts a year. In 1948, one-third of our gross income came from customers whose names had been on our books less than two years. Only one-third of our 1948 income came from people who had been on our books five years or longer.

Therefore, I know that we must open a lot of new accounts every business day, and we rely on advertising to help us with that job. Our salesmen are eager to follow up advertising leads, and I have yet to speak with one who does not say they are a constant and productive source of business.

At the IBA Convention in Hollywood last December there was a report on a cooperative advertising venture sponsored by a group of firms here in Philadelphia which was highly provocative in the results that had been obtained. I am absolutely convinced there is a great segment of the people of this country who want to make security investments, so I was not overly surprised that the Philadelphia experiment had proven so successful.

Another speaker at the Hollywood Convention was Dr. Likert, who conducted the Survey of Consumer Finances for the Federal Reserve Board. This Survey showed that 69% of the families with incomes of over $3,000 per year were opposed to investments in common stocks. The principal reasons for this attitude were that common stocks were "not safe," and that they were "not familiar with" them. These are the twins we have to cope with in broadening our market: Ignorance and Fear. I don't know how much we can do about Fear, but we certainly can do something to enlighten people about our business.

Where New Customers Come From

Where will the new customers come from? In 1929 there were 39,000 individuals who paid taxes on incomes in excess of $50,000. After taxes, this group had left $5 billion, 200 million. In 1945 were 42,700 tax returns in the

above $50,000 income group, but after they paid taxes they had $1 billion, 750 million left. An increase of 10% in the number of returns, and a decline of 66% in take-home pay!

On the other end of the scale, there were 658,000 individuals who paid taxes on incomes from $5,000 to $10,000, and after taxes they had $4½ billion left. In 1945 this same $5,000 to $10,000 income group had increased to 1,800,000 and after taxes they had $10½ billion left. That is the field we have attempted to till in our sales promotion activities. That is the field I commend to you gentlemen today.

How do you go about this? First I think there must be a general recognition by you and your salesmen that the field is worth cultivating. I have heard many partners of security firms tell me that the little fellow's business was not profitable. At least one man told me he sends the odd-lot customer "across the street to your house." I can assure you we welcome that kind of business, and perhaps you will realize this when I tell you that for every $100 of round lot business we do on the New York Stock Exchange, we do $30 in odd-lot business. And listed commission business accounts for two-thirds of our gross income.

There is abundant evidence that people not owning securities at the moment would like to find out something about them, and are first-rate prospects. Last year over 55,000 women attended Merrill Lynch Investment Courses in 65 different cities. Mutual Funds are being sold to the little people in increasing quantities. And fewer salesmen, I hope, are looking down their noses at the customer with modest means.

I have mentioned that advertising is one of the most useful tools in bringing in new customers, and in creating a favorable impression for the firm. But the best advertising in the world will not do a job unless it is followed up properly at the point of sale. We must improve the initial contact, and the place to start is with the salesmen.

Ten years ago, in Merrill Lynch, Inc., and Cassatt & Co., we had about 25 or 30 investment salesmen. We did the conventional business retailing new issues of corporates, municipals and common stocks. With competitive bidding coming to the fore, we knew we could improve our position in syndicates if we could sell more merchandise. At that time we labored under the illusion that we could transform within a reasonable length of time the 300-odd customer's men in the Pierce organization into retail salesmen. We thought the consolidation of the investment banking function with the brokerage business would add just that many more strings to each salesman's bow.

Well, it didn't work out that way. Of course we had signal successes in individual instances. But the habit of sitting around a board room and watching the tape go by for five hours a day must have a peculiar fascination after a period of years.

We started out by demanding 10 face-to-face calls per week from our Account Executives. We got lip service to this request more than conformity. In plain English, we couldn't get them off their chairs. When we realized that the average age of our Account Executives in 1944 was 51 years, we determined to do something about it.

Training Salesmen

As soon as the war was over we embarked on a series of training courses for young men. Through June of last year we had graduated 252 young men averaging in age 27 plus from eight different six month courses. All of them were trained initially to become salesmen, and all but 22 of those who have stayed with us are still in that category. The results of this training program have exceeded our fondest hopes.

Of the 252 young men who attended our school, 208 are still with us, 186 being in straight production. Five have become Managers of offices, and those not in production have key jobs elsewhere in the organization.

Our Advertising and Sales Promotion policies have gradually come to exercise a profound effect on our salesmen. When the going was tough back in 1940, Mr. Merrill had established a policy of paying our salesmen on an annual salary basis. We have adhered to that policy through the years despite the generally accepted practice of compensating producers on a commission basis. There is not a single person in Merrill Lynch working on a commission basis, and that is one policy I am certain will stand. While there are many salesmen who prefer to work on a commission basis, I am certain that the salary basis is best for the firm, best for the customer, and in the long run, best for the salesmen themselves.

Distributing Booklets

I have mentioned that we spend about $400,000 annually in advertising. We spend almost as much in Sales Promotion, and this activity has put us in the publishing business in a big way.

We prepare and distribute booklets by the hundreds of thousands. Some of them are advertised and offered free to anybody who is interested. Many are printed in color, and an earnest effort is made to make them readable and understandable.

We believe this product is evidence of a highly trained Research Department. It helps persuade our salesmen and our customers to rely on these specialists for financial information.

Our most important publication is the "Security and Industry Survey," which is published quarterly and rates industries and companies within those industries in broad categories. This Survey has a further objective of helping our salesmen express the same opinion about the same security at the same time. You can imagine how embarrassing it would be, if our salesmen in one part of the country were advocating the sale of a stock, while another group of our people was advocating the purchase of the same security.

Another objective of Sales Promotion is a frank attempt to tie the customer to the firm, and not merely to the representative servicing his account. Charlie Merrill told all of us in 1940 that none of the offices of the new firm would be a "headquarters for salesmen." Early in life he had discovered how difficult it had been for him to try and take his customers from George H. Burr when he moved to what he thought would be a better opportunity with Eastman Dillon. He discovered at the same time that 25% of the profits of the Bond Department at Eastman Dillon was a lot more in percents but a lot fewer in dollars than the arrangement he had with Burr, who paid him a salary, plus 10% of the profits of the Bond Department.

Our sales promotion literature is designed to both help the salesman and to tie the customer to the firm.

We believe the best way to accomplish these objectives is to make our material different from that obtainable elsewhere. An example is a little magazine called "Investor's Reader" which is distributed free to 75,000 customers twice a month. It resembles in some ways the Business Section of "Time" Magazine, and its editor was associated with "Time" for many years. It costs about $200,000 a year to publish and distribute this magazine.

While most of our offices are equipped with Dow Jones news tickers, we also maintain a private news and quotation service on a separate wire which supplements news and quotations on the DJ circuit. This frees our regular wire system for its primary function—orders and reports. It affords us the opportunity to make a simultaneous announcement to every one of our offices, and deprives the biggest or the nearest office to New York of priority. This is another $200,000 expense item under the supervision of the Sales Promotion Department.

Our direct sales costs are probably lower than those generally obtaining in our industry. We prefer to take these extra per cents and put them into advertising and sales promotion. If we were to add the "extras" that now come under the heading of advertising and sales promotion to sales costs, our figure would probably be as high as that of most firms. We feel that even if our men end up with fewer per cents, they have more dollars in their pockets in the end because of the ease with which they can develop new accounts.

Salesmen who leave one firm to go with another find it difficult to take their customers with them these days. That is also true at Merrill Lynch. We have made our customers aware of our services, and this is the major accomplishment of our sales promotion program.

At the same time I am frank to admit that we take relatively few customers from other firms. I like to think that our activities broaden the base not only for us, but for our entire industry. Just as the toughest competition for the A. & P. is not another large chain, but the well run local independent, so is our most aggressive competition the locally owned and managed securities firm. I doubt if the Drexels, the Newbolds, the Clark Dodges, or the Dominicks scarcely know we are in business.

Competition

I believe in competition. I wish there were more of it in our business. It makes no sense to me to see only three member firms in the size of cities like Portland and Seattle when there are six firms in Charlotte, and fourteen in Beverly Hills.

I believe that where there are more firms and more salesmen operating, there are more people becoming security conscious. Over and over again I have seen Merrill Lynch open an office in a new city and become successful without inflicting hardships on firms already doing business in that town, but quite the reverse, actually improving the investment of the entire community.

For years Baltimore and St. Louis were noted as the graveyards of New York firms. Many attempts were made to operate branch offices in these cities, and always they failed. We have been in those two cities for about two years, and by any measuring stick we have a successful operation. While we are an "outsider" at the moment, I feel that our being in those cities will help everybody in the long run. And I can promise that we will do our best to become "good citizens."

I would like to make one point about opening new offices. Many people in our business think it is essential to open a new office with locally known personnel. It is never a consideration with us whether or not the Manager or any of the salesmen have ever lived in a community. None of the staff who opened our offices in Charlotte, Phoenix, and only two in our newest office, Omaha, were native to those towns.

While it is probably true that the local boy knows most of the worthwhile prospects in town, it is also true that those people know him. Investing money these days is based on a lot more fundamental considerations than social relations.

I think that every firm, regardless of its size, is capable of developing a sales promotion program fitted to its needs. You know your customers respect financial soundness, integrity, business judgment, and reasonably decent services. We all sell substantially the same merchandise at about the same price. Anything you can do to cement the relationship between the client and your firm will pay dividends. Advertising and sales promotion can do a job for the securities firm just as it does for every other leading merchant.

About Merchandising

And now a few words about merchandising. I mentioned earlier that we thought we could make retail salesmen out of customers' men. We haven't given up the effort, and we have had some success. But it is with our younger men that the most sensational results have been achieved.

It is a plain statement of fact, and therefore I hope you won't think it immodest, when I say that today we are far and away the largest retailers of common stocks. The break-up of the public utility holding companies afforded us a splendid opportunity during the past few years to expose the possibilities of retail selling to our staff. We retailed nearly one million shares of Southern Company, and 440,000 shares of Niagara Mohawk during the latter part of 1949.

We hear it at Merrill Lynch, and I'm sure you hear it from your salesmen: Such and such a security can't be sold in my territory. An indifferent performance in our Pennsylvania offices usually brings up some reference to the eight mills tax. I don't doubt for a moment that it is a factor, but I do feel that it is often exaggerated.

We have sold nationally, and so have you, stocks in banks of Portland, Tulsa, and Detroit. The largest retailer of Southern Company among our offices was Detroit. Dean Witter sold 140,000 shares of Niagara Mohawk mostly in California. And Larry Marks sold 125,000 shares of Texas Utilities without even an office in that state. I believe it is the individual salesman who makes up his mind that the merchandise is unsuitable for his customers. He simply lays down on the job, and you and I let him get away with it.

This points up the necessity for you, as owners of your business, either personally or by delegation to see that somebody assumes the duties of Sales Manager.

Should Manager Be a Producer?

In the old days it was a common practice to appoint the biggest producer in the office to the job of Manager. Thus, when we got back into the brokerage business in 1940, we found that the Managers of the Pierce offices were usually the oldest men in the office and the largest producers. The same was true when Fenner & Beane came into the organization.

There are not more than a half dozen of our offices where that situation exists today. We have argued, pleaded, and in some instances demanded that the Manager divorce himself from personal production. He has distributed his accounts among others in the office for service, removed himself as a direct competitor with his men, and concentrated on the job of inspiring and leading them to a better all-around performance. This sales management is a full time job, and I consider it responsible for much of the improvement that has taken place in our selling accomplishments in recent years.

By relinquishing his duties as a producer, the Manager has elevated his status as an executive. We have vested the Manager with almost complete autonomy over his operation. The road to a partnership in Merrill Lynch today is more likely through the managership of a successful office than any other job in the firm.

If you have understood the significance of this particular policy, you will realize that in each office we have in the person of the Manager a man who is a merchandiser. He acts as the liaison officer between the Sales Division and his staff. It is his chief task to transmit to his salesmen the plans and the programs originating in New York.

We insist that he conduct at least one meeting with his men each week. When we have a deal, we expect that the Manager will hold a special meeting where the salesmen are briefed on the selling points which should make the security attractive to potential buyers. And then the Manager makes it his business to see that those customers to whom the merchandise should be exposed are contacted.

Just like other good firms in our business, we have gone on record with our salesmen that any new issue, special offering, or secondary where we participate as principal, constitutes a recommendation on our part that the merchandise is of good quality and fairly priced.

We don't go into any deal at Merrill Lynch unless the Sales Division approves of the commitment. Since we are consulted before the commitment is made, we assume responsibility for disposing of our purchase. I imagine this is common practice in most firms regardless of size, and I think it is very important.

It is completely natural for all of us to try and put our best foot forward when we compete for business. There are assets and there are liabilities for a firm as big as ours. We emphasize our good points, and try to play down our handicaps.

Most of you gentlemen are associated with firms which have earned a just reputation through years of fair dealing in your communities. You have a sales message for your present customers, and for those who may some day become your customers.

I urge you to tell this story in paid newspaper advertising and in sales promotion activities. And then if you can convince your staff, and especially your salesmen that they are working for a fine firm, and in a fine industry—guide them to do an even better job in their daily contact with investors, we can stop worrying about the future of our business.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Harry C. Hayes has become associated with Minneapolis Associates, Inc., Rand Tower.

John Cutler Dead

John Wilson Cutler, partner in Smith, Barney & Co., New York City, died March 18 at the age of 62.

William La Croix Dies

William Paine La Croix, who was associated with Paine, Webber, Jackson & Curtis, Boston, died at the age of 29 after a long illness from injuries received during World War II.

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How America Is Being Socialized

"welfare state" is to think of all of us (except government officials) being told what to do, when to do it and how to do it. Having done as we were told, we will then receive food, shelter, clothing, medical care, etc., according to our age and needs, regardless of how much we have individually contributed to the total production. All we need to do, to insure our economic security, is to do as we are told and stay out of trouble with the people who give us our instructions.

Objectives of Welfare State

In this connection I don't believe I could do better than quote from Senator Hubert Humphrey, President of Americans for Democratic Action, who said in the course of a Town Meeting of the Air debate with Senator Brewster of Maine a couple of months ago that the Welfare State comprised specifically:

Effective price supports for farmers.
School lunches.
Adequate social security.
Unemployment compensation.
Development of public health facilities.
Adequate distribution of medical services.
Soil conservation.
Development of rivers and harbors.
Cheap electrical power.
Minimum wages.
Slum clearance.
Low cost public housing.

He may have left a few out, of course, but it's quite an array. I suppose that even if I were to hint or by inference or innuendo, indicate that I were against or lukewarm about any of the foregoing objectives I would be subject to instant characterization as a "reactionary" because if I am against "welfare" I may be accused of denying alms to the poor, medicine to the sick or food to the hungry. The very words "welfare state" constitute a very effective, self-serving propaganda label. Semantically "welfare" is a warm, comforting, friendly word like home, family, fireside, love and mother.

Let's go back to Senator Humphrey and his definition, which sets forth a dozen or so of social targets as though they were glittering trinkets or presents to be plucked at will from a gigantic Federal Christmas Tree, just for the asking. But first, let me give you another definition, that of a very dismal word, Economics. In the light of what has happened in the first half of the 20th Century, I would say that "Economics is the social science that tells you there is no such thing as a free lunch." Perhaps, speaking of food, the Senator's list may rightly be compared to the menu in a very swank restaurant where there are no prices opposite each item, or the balance sheet of a business that sets forth only the assets without the liabilities, or a beautiful, well furnished house with all the latest gadgets from air-conditioning to television, which you buy with gladness in your heart only to find out after you move in that the carrying charges on the mortgage, the taxes and the overhead make living in it unbearable.

Well, what is the price of the Welfare State? The price is a socialized America. Have we got the resources to buy it? We are a rich nation, the richest in all history. If money or wealth were all that were needed, perhaps we could pay the bill, but the insidious part of the transaction is that mere wealth or productivity is only one component of the bill or invoice. There are many others and if the American people were given a bill of particulars on that score, I doubt they would be so keen upon buying the Welfare State. Mr. Norman Thomas, who is perhaps better qualified than anyone in America to judge, said publicly in a radio debate on Jan. 24, 1950, that there was no difference between "socialism" and "social welfare." He maintained, and I quote: "In effect, they're synonymous." So, to the extent we at the present time have a Welfare State we already have a like degree of socialism or governmental intervention in our economic life.

The Price We Would Pay

But let us get on with our bill of particulars, item by item, in the catalogue of socialism:

(1) *One of the most immediate and obvious consequences of the Welfare State is its irresistible bias towards inflation.* It actually decreases production over a period of time because it creates nothing or produces nothing itself, but merely redistributes income. It is a give and take process. It gives to the poor and takes from the rich, gives to the sick and takes from the well, gives to the old and takes from the young, gives to the tenants and takes from the landlords. This is nothing new and has been tried from time to time since antiquity. Voltaire aptly said that it was a device for taking money out of one set of pockets and putting it into another. Kipling thought it was a machine to "rob selected Peter to pay collective Paul." Beyond an attempt to equalize incomes or level down wealth it stifles initiative for very obvious reasons, and its administrative costs are heavy, having been estimated at 12% to 15%, a kind of brokerage charge. Our British friends make no attempt at concealing that a principal socialist goal is "fair shares for all."

In a free voluntary society the incomes of people are dependent upon their relative contributions to production, but in a Welfare State these payments are based upon need rather than earnings based on work done. As the Welfare State grows it increases the percentage of the income which is derived from legislative action rather than upon work accomplished. To put it another way, it separates income from production contributions and by so doing places greater burdens upon the production elements of the economy, which can have no result other than the impairment of the incentive to produce. In addition, the higher the benefits the less the incentives of the beneficiary.

(2) *At this point it is necessary to observe that absolute government control of and the ability to manipulate money rates and the money market is an integral but concealed and little understood part of the Welfare State.* In the old days (I suppose Governor Dewey will call me a Methuselah or accuse me of attempting to repeal the 20th Century for saying that) it was possible to earn about 5% from thrift, self-denial or savings whether direct or through life insurance. Welfare economics could not exist without artificially cheap money, which in brief, among other things, reduces the earning power of capital and helps transfer income from higher to lower brackets. It makes it easier for the government to compete with private lenders. It reduces voluntary saving in favor of compulsory saving. It has led to the virtual control of the portfolios and lending policies of the 15,000 banks in our commercial banking system. It is a complicated subject and I shall not dwell long upon it. Without cheap money Senator Humphrey's list would melt away like snow in the Summer sun.

(3) Closely related to and also contributing to the bias of the Welfare State towards inflation is *its espousal of intense social pressures from all sides to achieve full employment or even over-employment.* The chief victim, of course, will be the purchasing power of the dollar. The documentation for this viewpoint is profuse and at hand. Marriner S. Eccles, Vice-Chairman of the Federal Reserve Board, in a recent letter to Senator Paul H. Douglas said: "In making a cheap money market for the Treasury we cannot avoid making it for everybody. . . . The Federal Reserve becomes simply an engine of inflation." But high taxes and low interest rates are not the only actuating forces of inflation. The powerful labor union monopolies created by the Federal Government are doing more than their share. Under conditions of full employment unions, if not controlled, may be able to force up wages faster than engineers, inventors, chemists and managers can raise the output per man-hour. If they do this, and recent painful experiences in the coal and other industries show that they are, either prices must rise sufficiently to offset labor costs or unemployment will increase.

The toleration of labor monopolies as part and parcel of the social gains of the Welfare State has resulted in a considerable amount of featherbedding of which "make work" rules on the railroads, in the building industry and in the case of "standby musicians" are examples of such waste of productive power. Lenin has said that the best way to destroy the Capitalist System was to debauch the currency. If prices rise only 2% a year it will cause the price level to increase 25% in a decade or double in less than 40 years. As the Spence Bill and the Economic Expansion Act of 1949 (S. 281—81st Congress) showed last year price changes or expected price changes are the best possible arguments for socialistic controls.

(4) *The bank account or income of every one of us has on the average already been garnisheed to the extent of about 31¢ on each $1.00 by government* for its own expenses, some through direct taxes but mostly through indirect or hidden taxes on hundreds of items in the individual budget. Of the remaining 69¢ much is controlled or influenced by governmental intervention, as for example, the price of sugar or milk. Already then, to the extent of almost a third we have departed from a voluntary free society, economically speaking, and have given over control to the state. One of the immediate effects is the discouragement of saving by taxpayers in the higher brackets who in the past have provided the bulk of investment capital for our industrial growth. If long continued the scarcity of venture capital can have disastrous effects upon the vitality of our free enterprise system and already some unpleasant results are making themselves felt.

(5) Of course, our bill of particulars would hardly be complete without mentioning *the steps which the government has been taking for the welfare of the farmers.* For a generation now we have had one farm price support policy after another and sooner or later they all fail. Only World War II bailed out the Treasury ten years ago; now surpluses are piling up again. The Commodity Credit Corporation has a borrowing power of $4,750,000,000 but needs $2,000,000,000 more and has asked Congress for it. It is possible that $6½ billion may be tied up in farm price support operations before 1950 crops are all in. The scope of CCC's activities is staggering. Last year's loan and purchase programs held off the market 70% of the peanuts, 15% of the corn, 29% of the wheat, 40% of the dried beans, 35% of the cotton and 80% of the flaxseed. Barring a disaster to this year's crop we may have $1,500,000,000 tied up in wheat alone by February 1951. They are feeding California raisins to hogs, filling Kansas caves with eggs and the potato scandal is front page news. The cold war against the American housewife having reached a tempo which could only be characterized as fantastic has forced the dreaming up and espousal of the Brannan plan, under which farmer would sell his perishable or non-perishable products at whatever price he could get and the government would make up the difference between that figure and an arbitrary "fair" price by issuing checks for "production payments" out of public funds obtained through general taxes. The non-perishable or storable commodities such as wheat would continue to be supported or subsidized by floors, the price to be a so-called Price Support Standard.

There is no price tag on the Brannan plan but it might run to 3½ to 4½ billion dollars or so. As Welfare State statistics (or shall I say astronomy) go, this is not unbearably more than present plans cost taken by themselves, but the functioning of the plan would necessitate such a network of regimentation and controls that socialization of American agriculture, already fairly well advanced, would be greatly speeded up. Just a quick look will be convincing. Argus Research Corp. in a recent analysis points out that the farmer would be producing for the U. S. Treasury and not for the market. There would be no incentive for middlemen or speculators to store commodities, even temporarily, because fresh supplies would be coming on the market. Price would lose its function of equating supply and demand. Washington would be forced more than ever before to decide for the consumer what he is going to eat and for the farmer what he is going to produce. If the proposition is tried out in only a few commodities it overlooks the interplay of those commodities within our economy. If Brannan started with butter, say, the price drop would curtail the demand for lard and other fats and oils which in turn might force in hogs, which would bring down the price of pork and injure cattle growers and so on.

No wonder Allan B. Kline, President of the American Farm Bureau Federation, said last December, when speaking of over-subsidizing agriculture, "This is the road to stifled initiative, expanded regimentation and a pyramided government piled on the backs of those who do the work. . . . Supposing we were to guarantee hog prices high enough to get 20 or 25% more hogs; we'd get 25 to 35% less for the hogs in the market and all our net income would be tied up in that government check. If I were seeking a method for control, I'd use that one. When that time came the farmer would do as he was told or he would fold up for lack of the subsidy check."

The Government in Business

(6) So far we have mentioned the direction, controls and regimentation which follow the Welfare State — functional if you please—but now let's get on with a look at government in business, government in competition with the citizen, the taxpayer—actual nationalization. It may surprise you to learn from the Hoover Commission on Organization of the Executive Branch of the Federal Government that the U. S. already owns or is interested in 100 important business enterprises. These concerns engage directly or indirectly in lending money, guaranteeing loans and deposits, writing life insurance, the production, distribution and selling of electric power and fertilizers; operation of railways and ships and the smelting and sale of metals, including the CCC which we have previously mentioned. Over $20,000,000,000 is invested in these enterprises and there are commitments to supply $14,000,000,000 more. This is much more than the value of the British railways, electric undertakings, road transport, coal mines and other nationalized industries over there. In addition, the Federal Government guarantees directly or indirectly about $90 billion of deposits and mortgages and the life insurance written by government agencies approaches $40 billion.

Take electric power, though. Publicly owned plants now comprise 20% of total generating capacity, about 11,000,000 kilowatts at the end of 1948 against a total of 56,000,000. In 1930, private power comprised 94% and public power only 6%. The average citizen is almost wholly unaware of the extent and future portent of this steady but relentless encroachment on private enterprise. He thinks only of the TVA, but knows little of the grip which public power has on our Pacific Northwest with the proposed CVA hovering overhead. To him the Southwestern Power Administration, the Rural Electrification Administration, the Central Valley Project in California and the Colorado River Project are only names. Central Valley is mostly power and will ultimately cost $411,000,000. SPA isn't hay either and will finally take over $700,000,000 of Federal funds to complete. The REA co-ops have received or have been promised $2,375,000,000 by Congress. These few items alone show that the U. S. Government, beginning with almost a single power plant at Muscle Shoals, Alabama, in 1930 has made enormous strides towards socializing the electric power industry.

Government is not hampered by conventional accounting. Government projects are wholly or largely tax free and regardless of how much the U. S. Treasury has had to borrow to build them they are not generally charged interest as an element of cost. Obviously, when government power moves into an area, private ownership must get out, be condemned or sell out. If the government was obliged to keep its books the way private industry does, there could be no such thing as the "cheap electrical power" to which Senator Humphrey refers. Senator Bridges of New Hampshire has said, "The TVA yardstick rates are a brazen fraud on the public, the taxpayer, the consumer and the investor." The General Accounting Office of the Federal Government in a 1945 letter to the Comptroller General of the U. S. hints at the same conclusion, though in far more sedate language.

The crucial importance of socializing power cannot be overstated. I think it was Lenin who said "Socialism is state electricity plus bookkeeping," and Norman Thomas stated, "The TVA exemplifies what Socialism might do and the technique it would use in the process." More recently adherents of the Welfare State have become bolder. They reject the reactionary notion that private and public power companies should compete on their merits, with the same rules in force and governed by the same accounting principles. Here is Sen. George Aiken's minority statement dissenting from the Hoover Commission's report. After the now customary tribute to the existing order by saying, "I believe strongly in the free enterprise system" he continues: "A serious defect of these reports (Judge Roberts and Haskins & Sells) is a narrow conception of accounting

and a failure to realize that there can be public investments yielding public returns, evaluated and appraised in terms of *a system of general w e l f a r e* accounting." Now, at last, we have it. Two plus two equals five. Welfare accounting, indeed. If George Orwell, author of "1984," were alive he would have appreciated that phrase.

The extent to which the Federal Government is involved in lending, including lending on real estate, may be gauged by its huge investment of over $10.5 billion in this field. A mere mention of some of these activities may be enlightening. There is the RFC, whose loans to Waltham Watch, Lustron and Kaiser-Frazer have recently made the headlines, the Federal Housing Administration, the Federal National Mortgage Association, the Central Bank for Cooperatives and many others. I cannot catalogue them here. Perhaps the following taken from a security circular of a financial firm commenting on the bright prospect of b u i l d i n g material manufacturers will illustrate our feeling toward Federal lending for housing purposes: "During fiscal 1949 the government spent $282 million supporting housing. This will grow to $1 billion in fiscal 1950 and over $1.3 billion in 1951. Most of this money is used to buy mortgages, many of them of a character too doubtful to find private purchasers. By lending a far larger proportion of the value than is permissible for any private agency the government makes possible a large volume of construction. Now it is pressing for a new law to extend the housing program to the middle income group for $2 billion more."

What Does It Add Up To?

What does all the above mean? What does it all add up to? Has it an overall pattern or thread running through it? In his book, entitled "On Our Way," Mr. Roosevelt in referring to the depression of the 1930s insisted that it could be cured only by "a measured control of the economic structure." In the dispensing of welfare or the setting up of a Welfare State the sin or evil which is to be eradicated is an alleged concentration of economic power. The imbalance is to be eliminated or alleviated by a redistribution or reallocation of wealth and/or income. Yet, if we are correct in our appraisal of the methodology of the Welfare State it seeks to cure *an unhealthy concentration of economic power* by the greatest concentration of political power in our history. We think the cure to be worse than the disease because it inevitably will:

Destroy or dull the American traditions of individualism;

Undermine the independence of the American farmer and businessman;

Liquidate or at least seriously impair the vitality of State and local governments by usurping their powers and centering them in Washington.

This last named effect is perhaps the most dangerous and insidious of all. It comes gradually and in small steps. Harold Laski, who with the Webbs is generally considered the leading apologist for British socialism, stated over 20 years ago that it would be difficult to socialize America because "the separation of powers is a protective rampart of American individualism." The growing tendency of the Federal Government to usurp as large a measure of the taxing power as possible at the expense of the states is a case in point. If the states and municipalities for one reason or another, whether it is for education, construction of hospitals, building of roads and other purposes, are obliged to come hat in hand to Washington for grants in aid and other handouts, it is only a question of time before they will lose in part their identities and powers. One of the most effective methods open to the Federal Government is the creation of regional authorities like the TVA, CVA, the SPA and the MVA which eventually become more powerful than the states in which they operate and the municipalities which they serve. The classic cases of Lenoir City, Tennessee, versus the TVA and the City of San Francisco vis-a-vis the Department of the Interior in the Hetch Hetchy power wrangle are definite illustrations of what I mean.

The result upon our particular type of governmental structure, with its elaborate and delicate checks and balances and its great dependence for proper functioning upon the capacity for tolerance, compromise and self-government of the American people, will be to create a political vacuum. State socialism must be the successor.

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ious kinds of fixed obligations—the one best known, and I am sure familiar to all of you in this room, is government bonds. As the name implies, these are obligations of the government of the United States and secured by the full faith and credit of the Country, and payable from the Federal taxes collected by the government. A certain proportion of your money quite properly should be in government securities, the percentage however is a matter for your most careful consideration and is something which you should discuss with your banker or financial advisor. There are several different kinds of government bonds — the coupon bonds with different maturities ranging from one to about thirty years, and the current return which they provide is determined largely by the length of maturity. The longer the bond runs the higher the yield; the shorter the bond runs the lower the yield.

Then there are the Series E and F Bonds on which no current income is paid, but which provide for accumulated interest so that at the end of the 10 or 12-year period the bond which you purchase for $750 or $740 matures at $1,000. This increase is not the result of capital growth, but rather the accumulation of interest on the principal sum paid in, for the life of the bond.

Next, we have municipal bonds which are the obligations of various governmental or political subdivisions such as cities, states, counties, school districts, road districts, etc. These are of all different grades and qualities but, generally speaking, r e p r e s e n t good investment media. They are secured by the full faith and credit of the political entity creating them and are payable from taxes levied thereon. These taxes may be either general or limited in character. One of the outstanding features of municipal bonds is that the interest paid on them is non-taxable by the Federal government. Consequently, good municipal bonds represent a desirable form of holding, particularly by those investors in the higher income tax brackets.

Next, we will consider corporate bonds. These are the obligations of industrial enterprises, railroads, and public utilities companies, and are of all shades and complexions ranging from first mortgage bonds secured by a prior lien on the property of the company, through general mortgages, secured debentures, and, finally, down to unsecured notes. The mere fact that a security bears the name of a bond does not mean that it is a safe and secure investment. Some bonds are gilt edge or, as we say in the business, Triple A in quality. Others are highly speculative and uncertain. Their soundness is determined, not by their name, but by the financial strength of the company against which they are issued and the particular nature of the lien or collateral behind them. Most assuredly should you seek the advice of your banker or your investment dealer with regard to the safety and security of any corporation bonds which you may buy.

In a broad, general way, Ladies, this covers the field of fixed or Dollar Constant Investments. I am sure you will appreciate that, with topic so broad and a subject so diverse, we have hardly scratched the surface with the preceding remarks.

Dollars Variable Investments

Now I would like to go further with you and talk about **Dollars Variable Investments** which, **as the name implies, and in contrast to Dollars Constant Investments, offer neither the promise nor guarantee of repayment of a definite sum at any specific time or with any stipulated rate of return.**

At this point I think I might make clear to you the essential difference between the two forms of investment. When you make a Dollars Constant Investment, you become in effect, a creditor of the maker of the security. You are owed a set sum of money and you have various means of enforcing collection on the due date and, meanwhile, you are entitled to receive a fixed rate of return. When you make a Dollars Variable Investment you in effect become a part owner or participant in the business itself. You profit as the business profits; likewise, you lose as the business loses.

The leading examples of the latter form of investment are such things as real estate, either city property or farm land — improved or unimproved. When you buy a building you become the owner of that property and if the property makes money it is yours; if the property loses money that loss too, is yours. As you no doubt know, after you have bought a piece of real estate there is no assurance that when and if you decide to sell it you will get back the amount of money you paid for it in the first instance, or any other specified sum. That will depend on the conditions prevailing at the time of sale. Likewise, there is no rate of return assured from such investment. It may be more or less depending upon rental conditions, operating expenses, taxes, etc.

As a further illustration I should like to pause here to show you how both type of investments can be involved in a single piece of property—not, of course, by the same investor. Let us say, for example, that I go out here and buy a section of land—640 acres and I pay $100 an acre for that farm. I have made a Dollars Variable Investment. I have gone into the farming business and if soil and weather conditions are favorable, the seed is good, and the price at harvest time is high. I will make a nice profit from my investment this year. If those factors are not good, I may even lose money this year. On the other hand, let us say that when I buy this farm at $100 an acre I only have $50 an acre in cash and you are the seller and you take back a mortgage for 50% of my purchase price. That mortgage will be in a s t i p u l a t e d amount—namely $50 an acre for the 640 acres, or $32,000. That mortgage will have a maturity or repayment date, probably 10 years after the date, and it will carry a stipulated rate of interest, possibly 4 or 4½%, and I must fulfill all those terms or risk foreclosure and the loss of my farm. You have made a Dollars Constant Investment in the mortgage on that farm. I have made a Dollars Variable Investment in the equity in that farm. Is that clear? Another form of Dollars Variable Investment is precious jewelry. You know what they say, "Diamonds Are a Girl's Best Friend," and very frequently that has proven to be the case. Not necessarily however, in keeping with the lyrics of the currently popular song bearing that title. I am sure I need not dwell on the variability of this type of investment.

Next, you may make a Dollars Variable Investment by the purchase of an interest in a local business enterprise. You will, of course, become a part owner and your investment may become profitable or unprofitable. You may derive a good return or no return, depending upon the conditions within that particular business itself. I am sure that it is clear and understandable to all of you ladies that you participate in such business ventures by buying an interest in a beauty shop, a bakery, or a grocery store, and, while it may not be so clear to you, you do exactly the same thing when you make a Dollars Variable Investment in the most widely used form of such investment — namely, common stocks. When you buy common stocks in any corporation, whether it be a big national company or a small local company, whether those shares are listed on any exchange or unlisted and dealt in over the counter or traded locally, you are participating in the direct ownership of that company to the extent of your investment and your profit or loss is according to your investment.

Finally, there is a somewhat hybrid type of stock called Preferred Stock which embodies some of the features of both the Constant and Variable type of investment. Dividends on Preferred Stock are payable before those on the Common Stock of the same company—likewise the Preferred takes precedence in liquidation or distribution of assets. The following observation applies on any investment which you may make in corporate securities—whether Bonds, Preferreds or Commons—each company, each security presents a separate problem and should have careful consideration by you in conjunction with your banker or your investment dealer.

Mutual Funds Companies

I would now like to bring to your attention one of the most important developments taking place in American investment and finance. I refer to the growth and development of mutual fund or investment company shares or, as they are most commonly named, investment trusts. As Shakespeare said: "A Rose by Any Other Name." The investment trust of the present day is the outgrowth of earlier developments, some of which were not too good. But we learn only from experience and out of the experience of the previous years has come the present day open end mutual investment fund. Now the term "open end" merely means one in which shares are constantly and continuously being offered for sale. An investment trust is simply a plan whereby a lot of people pool their money and hire a group of experts to do their investing. It is a company whose sole business is investing the money which it receives from the sale of shares, in an approved list of securities under the provisions, regulations, and safeguards as set forth in the Investment Company Act of 1940 as passed by the Congress of the United States. Investment trusts are federally regulated and are kept constantly under the watchful eye of the Securities and Exchange Commission.

When you buy shares of an investing company you are pooling your money with that of the other investors in the trust and those funds are invested by the experts who manage the affairs of the trust. You do not buy stock in any particular company but, instead, your money is spread over all the securities which the trust owns. That is what is called "diversification" and that great big word merely means spreading the risk. It is the practical adaptation of the old adage, "Don't Put All Your Eggs in One Basket." While you buy shares in only one investment trust and receive only a single certificate, your money is invested in a large number of securities and it is being carefully tended by the experienced, professional managers of the trust.

As I mentioned to you, all present day open end mutual funds function under the watchful eye of the Securities and Exchange Commission and are regulated by the Investment Company Act of 1940. Among many other provisions this Act stipulates that no investment trust my place more than 5% of its assets in the securities of any one company. It may never hold more than 10% of the outstanding securities of any one issuer, and whichever is the lesser of these two will prevail. *The trust may not buy on margin nor sell short.* The trust may not lend money and, except for very few funds, may never borrow money. And, most important to you as an investor, is the provision of the Act which stipulates that the trust must always redeem its shares at the prevailing liquidating price on the day when you offer them for sale. The value and importance of this latter provision cannot be overemphasized because it assures you as a purchaser of investment funds of always being able to get your money, represented by your ownership of shares. Now it is true that at the time you liquidate your shares they may be worth more, or less, than the price you paid but, whatever the value when you want to liquidate that must be paid to you on demand. Another thing, all securities and cash of the trust are held by an independent custodian, a bank or trust company which is a member of the Federal Reserve System. By and large these are the general provisions of the Investment Company Act, which safeguard and protect the investor in all mutual funds.

We must now consider the different kinds and types of investment trusts that are offered to the investor today. These are almost as numerous as the different kinds of bonds and stocks that are available. There are mutual funds for almost every investment purpose and it is exceedingly important that when you buy an investment trust you select one which meets your needs and suits your purposes. These, too, are matters which should be discussed with your banker or your investment dealer.

There are investment trusts which invest only in common stocks and these are of two kinds. One places the greatest emphasis on capital growth and appreciation; the other on income. The rate

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of return on good common stock trusts varies from 3½ to 5½, or possibly 6%.

Distribution of Income and Capital Gains

Before going any further on the subject of income from investment trusts, I should like to make very clear to you that investment trusts which qualify under the Treasury Department definition of a mutual fund must distribute to their stockholders not less than 90% of all revenue received, either from interest earned, dividends received, or market profits realized.

Consequently, it is very important that one distinguish between true net investment income and capital gains distributions. The latter are non-recurring, uncertain in amount, and are not income. Therefore, when I speak of a rate of return of from 3½ to 6% on common stock funds, I am talking only about true earned income. I should like to caution you that whenever considering the purchase of any investment trust, you make it a point to ascertain the true income which the trust pays without any consideration to capital gains realized.

The second major classification in the mutual fund field is that of the so-called balanced fund. As the name implies, an attempt is made to balance the portfolio of the trust by placing some portion of it in bonds, some in preferred stocks and some in common stocks. Balanced funds range from those of high quality which afford a fairly good degree of stability, and lower to moderate income, down through those balanced funds of medium and lower quality which are not nearly so stable but which pay much higher yields. The true return on balanced funds is about the same as that on common stock funds—from 3½ to 5½ or 6%.

There are several bond funds on the market and, as the name implies, investment of those trusts is made only in bonds. These, too, show a rather wide range in quality, from very good to somewhat speculative, and the yields range from 2¾ to 4½%.

There are also funds made up of preferred stocks, industry type trusts which invest only in the securities of a single industry such as oil stocks, merchandise stocks, etc. Other trusts invest by classes of securities, that is, there will be bond portfolios within a certain price range—stock portfolios likewise. As you can see, there is a wide choice to be had among investment trusts. The mutual fund is no cure-all for the investment problems which beset us today. However, it does offer to the average investor, particularly to you ladies, for some part of your funds a means of obtaining diversification, professional management, convenience, and ready marketability that can hardly be secured in any other fashion. It offers these services to you at a reasonable cost and at a moderate anual operations charge. The acquisition cost of the funds varies about 6 to 9% and is payable only at the time the shares are bought. There is no charge for liquidation.

The annual operating expenses of the good funds ranges from one-half to three-quarters of 1% of the average asset value per year. When one considers the service rendered and the peace of mind obtainable through investing in the proper mutual fund, it does seem as if the cost and charges are thoroughly justified.

I think it very important to point out to you again the necessity for a well rounded, carefully planned, investment program—that such program should include a certain proportion of Dollars Contant Investments, namely, a savings bank deposit, some government bonds, some municipal bonds, and also some Dollars Variable type of investment. Except where you are experienced in a business or have a knowledge of farming and real estate, the average woman would be well advised to place some portion of her Dollars Variable Investments in the shares of carefully selected mutual funds of the kind and type best suited to her needs.

Advantages and Disadvantages of Each Investment Type

I think we may now summarize the advantages and disadvantages of each type of investment.

A. Dollars Constant Investments

(1) Promise or guarantee a fixed number of dollars at a specified maturity date and with a definite rate of return.

(2) The safety of principal and certainty of income are the favorable considerations in this type of investment.

(3) Their very stability, however, precludes to a considerable extent any profit or capital growth.

B. Dollars Variable Investments

(1) Provide neither a set rate of return, repayment date or a repayment amount.

(2) Opportunity for profit and capital growth, or loss and capital shrinkage is therefore present: (a) Favorable in periods of rising prices, good business; (b) Unfavorable at other times.

In actuality neither kind of investment is absolutely safe. Dollars Constant Investments usually offer a lower rate of return, decline in purchasing power as living costs rise. Dollars Variable Investments, under proper circumstances, increase in value when business is good and provide expanding income in periods of rising prices. Converse situations result when conditions are reversed. Consequently, the best and most prudent course to follow in investing is to own both type of securities.

One of the most important considerations confronting the investor is that of Dollar Depreciation. The steadily declining purchasing power of the dollar in recent years is, of course, very familiar to all of you ladies and especially those of you who are housewives. You don't need me to tell you that a basket of groceries costs much more today than it did 10 years ago or that shoes and clothing for the family are more expensive than they used to be. These things are well known to you. What may not be so well known to you is that we have had in this country a similar trend of inflation or rising living costs for the past 100 years. As a matter of fact, studies have been prepared which show the average increase per decade for the past 10 decades has been 34% so that the rise in living costs from 1850 to date has been 344%. Now this does not mean that prices have risen each and every year in an uninterrupted and unbroken line because they have not and it is for this very reason that one needs both Dollars Constant and Dollars Variable Investments because it is only in this way that one can be hedged against both price declines and price advances. Since the Dollars Constant Investments maintain fixed value, they protect one's assets in a period of price declines. Likewise, Dollars Variable Investments are increased in value and pay larger income in periods of price advances. One of the most important factors in safe investment, therefore, is the maintenance of proper balance between these two kinds of securities.

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Our Asiatic Policy and United States-Soviet Tension

support. The Nationalist Government was overthrown in China not by force of arms. It collapsed from its own inherent weakness and the withdrawal of the people's support.

The Communists won by default, not by what they offered. They employed the well-known Communist technique of probing for weakness and, on finding it, exploiting it to the full. The result is that today the Nationalist Government exercises authority only on the islands of Formosa and Hainan.

The revolutionary movement in China, which began a half century ago as an expression of the aspirations of the Chinese people, has been captured, for the present, by the Communists. Their seizure of power has reversed the true purposes of the revolution. For while neighboring peoples, some of them for the first time in centuries, are at last achieving true national independence, China, with its long proud history, is being forced into the Soviet orbit as a dependency of the Soviet political system and the Soviet economy.

Soviet Russia's Intentions in China

Since I spoke in January on the Far East there has been one new and clear indication of Soviet Russia's intentions in China. We see it in the published terms of the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance of Feb. 14, 1950, and the other agreements concluded and announced at the same time.

The Soviet Union and its most ardent supporters in China may have temporary success in persuading the people of China that these agreements refute the contention of the non-communist world that alliance with Soviet Russia holds an evil omen of imperialistic domination. These agreements promise help in the rehabilitation of China's wartorn and impoverished economy. They promise, in particular, assistance in the repair and development of Chia's railroads and industry. The Chinese people may welcome these promises and assurances. But they will not fail, in time, to see where they fall short of China's real needs and desires. And they will wonder about the points upon which the agreements remain silent.

Now, let us examine these assurances and promises of economic aid. First, Soviet Russia has promised to return certain Manchurian property, but not the industrial equipment robbed by the Red Army in 1945. Is this aid? Is it even a belated admission of a theft which deprived not only China, but all of Asia, of some $2 billion worth of productive capacity?

Second, Soviet Russia extends to China a $300 million 5-year credit at an interest rate of 1% yearly. This works out at $60 million each year. This announcement was made only to be followed by the news that the ruble was to be revalued, thus cutting down the effective aid by one-fourth, if the new dollar-ruble rate should be applied to this credit. Thus the Chinese people may find Soviet Russia's credit to be no more than $45 million per year. They can compare this with a grant—not a loan—of $400 million voted by the American Congress to China in the single year 1948.

China's needs are great and pressing. China today faces a prospect of 40 million people suffering from hunger between now and the next crops. Millions may die. And yet, food moves from China to the Soviet Union.

China's need for development capital runs into billions of dollars. In its issue of Feb. 25 the "London Economist" makes the following penetrating analysis of Chinese needs and hopes and the extent to which they have been dashed by the agreements with Moscow:

". . . it has not been the purpose of modern-minded Chinese to stagnate in the backwardness of a pre-industrial era; for many years they have been possessed by the dream of a rapid industrialization whereby China would break out from its old weakness and poverty and take a place among the nations more in keeping with its vast population and considerable natural resources. There is, indeed, no sign at all of a great program of industrialization to be carried through with Russian aid; the idea seems rather to make China's economy more 'colonial' than before, so that it can provide foodstuffs and raw materials for the new industrial areas of Siberia.

"The more fanatical of the Communist leaders may be content with this, but it must bring a bitter disillusionment to many progressive Chinese who have supported the Communists against the Kuomintang in the belief that the new revolution would clear away obstacles to China's economic development. The new rulers of China have deliberately cut off their country from the possibility of American economic assistance which would have been forthcoming for a United China on a far larger scale and with fewer strings attached than the loan now received with so much official gratitude from Moscow. If any Chinese really thought that Peking could obtain an unconditional and unstinted bounty by turning from Washington to Moscow, the experience of Jugoslavia might have warned him that there are more kicks than halfpence in dependent association with the Soviet empire."

Integrity of China Violated

And now as to the political and territorial assurances contained in the agreements. Can the Chinese people fail to observe that, whatever may be the promises for the future, under the terms of the treaty and agreements recently concluded at Moscow, the U. S. S. R. has special rights in China which represent an infringement of China sovereignty and which are held by no other foreign power. It is Soviet Russia which, despite all the tawdry pretence of the treaty terms, occupies the role of empire builder at China's expense.

These are the realities that must be faced by the Chinese people. In facing them, they can well consider what it means to brush aside an established friendship for new-found and voracious friends. Our friendship has been founded on the belief that anyone who violates the integrity of China is the enemy of China, and is hostile to the interests of the United States. We have 50 years of history and a world war to prove that this belief is not a mere matter of words. This belief has been proved by deeds. We can and shall stand on the record.

We now face the prospect that the Communists may attempt to apply another familiar tactic and use China as a base for probing for other weak spots which they can move into and exploit.

As old friends, we say to the Chinese people that we fully understand that their present unhappy status within the orbit of the Soviet Union is not the result of any choice on their own part, but has been forced upon them. We understand that the Communist basis for their government is similarly not the result of any free choice of their own. We do not intend to tell them what ideologies or form of government they should have. We do not intend to engage in any aggressive adventures against them. The American people will remain in the future, as we have been in the past, the friends of the Chinese people.

China Warned Against Aggressive Adventures

But they should understand that, whatever happens within their own country, they can only bring grave trouble on themselves and their friends both in Asia and beyond, if they are led by their new rulers into aggressive or subversive adventures beyond their borders. Such adventures would violate not only every tradition and interest of the Chinese people, they would violate the traditions and interests of their Asian neighbors, of the American people, and — indeed — of all free peoples. They would violate the United Nations Charter. They would violate the peace which the Charter was designed to preserve.

I say this so that there may be no mistake about the attitude of the United States; no opportunity to distort or twist it; and, so that all in China may know who would be responsible for all that such adventures might bring to pass.

Again, as old friends of the Chinese people, we say to them that the representatives of our country are leaving them not by any wish of ours. They are leaving because the normal and accepted standards of international conduct have not been observed by the Chinese Communist authorities in their treatment of our representatives and because they have, in effect, even been summarily ejected from their own offices in Peiping. Under such conditions, our representatives could not fulfill their normal functions. We regret this leaving by our people, but our Chinese friends will understand again where the responsibility lies.

We Want Trade With China

One more word about China—on the subject of trade—in which you here in San Francisco have played such an important part in the past. Our policy is the traditional American one. We have traded with China since before there was a United States of America. In fact, our country was discovered by people seeking a shorter trade route to the Far East. We have traded with China under many regimes and are willing to continue to do so. But here again the decisions do not lie entirely with us.

Trade requires certain standards of conduct. Ships, planes, and traders must be received under conditions of security and decency. Contracts must be honored. There must be some medium of exchange reasonably regulated.

Under these conditions your government is entirely willing that Americans, in the future as in the past, should buy Chinese goods and sell American goods. It does not propose that Americans should sell goods which may be used to harm us. Nor does this government propose to give credits or gifts to those who declare their hostility to us and all we

stand for. We Americans should be willing to trade with China, as our forefathers did, whenever and in so far as it is made possible in China.

I want to make it entirely clear that we have no desire to thrust this trade upon China, nor is China in a position to extort it from us. In the period 1946-1948 the United States supplied over 50% of China's imports and bought approximately a quarter of China's exports. Yet those same exports from America were less than 5% of our total exports and our purchases from China were a mere 2% of all we bought abroad. If the present rulers of China wish to believe that we depend on trade with China, we are entirely willing to leave it to the test of experience to prove whether they are right or wrong.

Problems of Southeast Asia

Passing from the difficult problems of China, we come to the problems of Southeast Asia, which certainly seem no less complex. The circumstances which, added together, create these difficulties are largely common to the area. They flow, first, from the fact that, except in Thailand, the governments are governments which are new. They are experiencing the difficulties of organizing and administering the new-found independence of these countries. Problems come, second, from serious economic dislocations. Some of these flow directly from the ravages of war; others from the disruption of trade routes and trade connections. Thirdly, another group of difficulties throughout this whole area stems directly from years of Japanese occupation which broke down many long-standing habits of life, of industry, of government, with resulting internal strife.

It would be difficult enough, even under the best of circumstances and with the undivided help of their friends in other continents, for these new countries in Southeast Asia to find their feet and make progress along the difficult road before them. It is, therefore, tragic that, on the contrary, they find themselves in the path of a main thrust of Soviet subversion and expansion. They are subject to influences designed to produce division within each of the countries, and subject to propaganda designed to turn them against those who might be able to help.

An important objective of Soviet propaganda has been to deceive and confuse the world concerning the policy of our government toward the newly established nations of Southeast Asia. The United States consistently has supported and will continue to support the movement of these peoples toward self-government and national independence. Since the late 19th century, when we ourselves first became responsible for territories in the Pacific, we have fostered national independence and the growth of free democratic institutions. In our dealings with nations who had similar responsibilities in the Far East, we have urged them to do likewise and have given substantial and tangible assistance in order that such objectives might be realized. We cite our record in regard to Philippine independence. Our recent participation through the United Nations in the Dutch-Indonesian settlement is a more recent example of this policy.

The people of Asia must face the fact that today the major threat to their freedom and to their social and economic progress is the attempted penetration of Asia by Soviet-Communist imperialism and by the colonialism which it contains. The reactionary character of this effort is illustrated by comparing the miserable fate of the European satellites with the emergence of the free nations of Pakistan, India, Burma, Ceylon, Indonesia, and the Philippines, with the full consent and cooperation of those who had earlier exercised control over them.

In speaking to the Press Club in Washington, I pointed out that American assistance can be effective in Southeast Asia, as elsewhere, when it is the missing component in a problem which might otherwise be solved. Where the will and the determination exist, where the people are behind their government, American help may be the indispensable element required to produce constructive results. There is no guaranty that it can produce those results, but it has a good chance of succeeding if these other components are present.

President Truman has declared his belief that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures and that we must assist free peoples to work out their own destinies in their own way.

The aid we extend must be of a kind appropriate to the particular situation; it must be fitted into the responsibilities of others, and it must be within the prudent capabilities of our resources.

In some situations it will be military assistance. In others, it may be grants or loans, such as the recent $100 million credit to the Republic of the United States of Indonesia. In still other cases, the need may be for technical assistance.

These are not new principles nor is the application of them to the Far East a new departure. In Japan, Korea, the Philippines, Indonesia, and Thailand, for example, we have been demonstrating our desire to help where such help can strengthen the cause of freedom.

It has been a great disappointment that help which we rendered on a massive scale to China did not result in bringing peace and economic recovery to the Chinese people as we had hoped. That does not mean that the attempt to help was wrong, nor does it mean that we should not help others who seek to maintain their freedom and independence. It merely underlines that our help can only reinforce the efforts which others are prepared to make on their own behalf.

A recent expression of our desire to assist in specific and concrete ways in Southeast Asia has been the dispatch of a mission composed of technicians under the direction of Mr. R. Allen Griffin of California, formerly Deputy Head of the China ECA Mission. This mission will determine by spot surveys what type of projects is most immediately needed and which ones might be got under way almost immediately. The mission has been instructed not only to determine suitable projects for quick action, but also to attempt to lay some of the groundwork for the anticipated Point Four program.

We recognize our special ties with the Philippines. There is much still to be repaired in the economy of the Islands torn by war. At the request of President Quirino we are going to send out an economic mission to work with the Philippine Government to determine how best to consolidate the gains already made and to lay out what still needs to be done to develop their resources. There will doubtless be situations where our aid added to energetic measures by the Philippine Government will accomplish what otherwise could not be done.

Will Work Within Framework of United Nations

In acting to strengthen the forces of freedom in Asia, we shall work in the spirit and within the framework of the United Nations and in cooperation with other free nations which are in a position to assist.

The free nations of Asia are proceeding with their programs for political stability and economic development aided by the United States and other free nations. There is need for effort, but there is no need to be discouraged. There are sound elements in the situation on which these peoples may build. Their newly won responsibilities are calling up enthusiasm, pride and patriotic support for their own institutions. If they lack, at the moment, the technical and administrative experience and training they need, these can be overcome by the application of their own energy and demonstrated intelligence. Their countries have rich natural resources which can provide a basis for a flourishing trade with the rest of the world. As stability is achieved, as experience is accumulated and technical and financial assistance becomes effective, I have no doubt that the peoples of Asia will be able to participate fully and equally in the international community both politically and economically.

It is encouraging to see growing agreement about the nature of the probem in Asia. For example, we were much interested in a statement on Australian foreign policy made to the Australian House of Representatives by Mr. Spender, the Minister for External Affairs, on March 9.

Mr. Spender concluded with an enumeration of six principles through which the real democracies of the world could avoid war and preserve their way of life. They must (1) understand the true causes of present international tension, (2) realize that the preservation of their own way of life calls for a sustained and determined effort in all fields, (3) accept the fact that appeasement is completely ineffective and even dangerous, (4) put their own domestic houses in order, (5) cooperate in the many international agencies which already exist to preserve the values in which they believe, and (6) give thought to the creation of more effective methods of cooperative action in those areas where their vital interests are affected.

From what I have said today about our own attitude toward the problems in Asia, it is evident that we believe these points are soundly taken. We welcome the statement of them.

Why We are Opposed to Spread of Soviet Communism

I would like to stress here a point I have made before but which cannot be stressed too often. We frequently hear that the United States is striving to halt the spread of Communism. That is far too negative a way of putting it. Of course, we want to halt the spread of Communism, not because we want to dictate to the Asian people or to any other people what their political and economic institutions should be. We are opposed to the spread of Soviet Communism because it is the means, the tool, by which Soviet Russia is attempting to extend its absolute domination over the widest possible areas of the world.

The Asian peoples for the past several decades have been engaged in a revolution in which they have been trying to throw off the poverty and oppression of past centuries. They have been striving for independence, better education, more widespread ownership of the land and control over their own destiny.

It is no accident that their goals and our goals are the same. The American people have been the leaders in a revolution that has been going on for a century and a half, a revolution by the common people. And the basic objective of American foreign policy is to make possible a world in which all peoples, including the peoples of Asia, can work, in their own way, toward a better life. That is why we are opposed to the spread of Communism not only in Asia but elsewhere. It is because this tool of Soviet imperialism perverts the real democratic revolution that has been going on all over the world since long before Communism as a world conspiracy had been thought of.

The American people, and we believe the Asian peoples, when they have an opportunity fairly to appraise their interests, oppose Soviet Communism for the same reason that they opposed Naziism, Japanese Imperialism or any other form of aggression—that is, because it denies to the people whom it engulfs the right to work toward a better life in their own way. This is why we must unceasingly in all we do and say affirm the positive goals of free peoples. We are for something positive, for the most fundamental urges of the human spirit. We are not and must not allow ourselves to appear merely negative, even though that negation is directed against the most corrupting force now operating in the world.

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Tensions Between U. S. and Soviet Union

EDITOR'S NOTE—On the day after the foregoing address Secy. Acheson delivered the following talk at the University of Calif.:

I wish to make a report to you about the tensions between the United States and the Soviet Union.

Now, the right and obligation of the Secretary of State to speak to his fellow citizens, or to the representatives of other nations, about our foreign relations is not derived from any claim on his part to special knowledge or wisdom which makes him right and other people wrong. It is derived from the fact that our forefathers by free choice worked out and approved a Constitution. This Constitution, with the amendments and interpretations which have made it a living and growing thing, has survived to this day as an expression of the will of the entire people. A President is duly elected under this Constitution with a heavy and solemn responsibility to direct the foreign relations of the American people. The President has, in accordance with law and with the advice and consent of the Senate, appointed a man to serve as Secretary of State to assist him in the conduct of our foreign affairs. This right to speak on your behalf results directly from the constitutional processes by which the American people provide a government for themselves in an orderly, clear and democratic manner.

A little over thirty years ago there came into power in one of the great countries of the world a group of people who also claim the right to speak on your behalf. That claim was based not on any Constitutional procedure, or on any expression of the will of those whose representatives they professed to be. It was based on a claim which those men made to a monopoly of the knowledge of what was right and what was wrong for human beings. They further profess that their claim is based on a body of thought taken over in large part from the writings of a mid-19th Century German economist and theorist, Karl Marx.

I have no desire to debate here the errors of one version or another of what is today called "Marxism." But I think it must be recognized in the light of the experience of the last hundred years that many of the premises on which Marx based his thought have been belied by the known facts of what has actually happened in the decades since Marx made his studies. Marx's law of capitalistic accumulation, his law as to the rate of profit, his prediction of the numerical decline of the middle classes, and of the increase of the class struggle: none of these calculations has been borne out by the experience of the societies of the West. Marx did not foresee the possibility of democratic solutions.

Furthermore, the body of doctrine now professed by the Moscow-controlled Communist is only tenuously identified with Marx's writings and is largely overlaid with Russian imperialism. We certainly cannot accept the thesis that such a doctrine can serve as the justification for the right of a small group of individuals to speak for the great masses of human beings who have never selected them as their spokesmen and whose own opinions they have never consulted.

Now for three decades this group of people, or their successor, has carried on as the rulers of that same great country. They have always, at the same time, maintained the pretense that they are the interpreters of the aspirations of peoples far beyond their borders. In the light of that professed philosophy they have conducted, as masters of the Russian state, a foreign policy which now is the center of the most difficult and troublesome problems of international affairs, problems designed to keep the peoples of the world in a state of deepest apprehension and doubt. In addition to this, they have operated within the limits of the Soviet state on the basis of a domestic policy founded, they say, on the same philosophy.

There are many points in this philosophy, and particularly in the way in which it has already been applied in practice in the Soviet Union and elsewhere, which, are not only deeply repugnant to us, but raise questions involving the most basic conceptions of good and evil—questions involving the ultimate moral nature of man. There is no use in attempting to ignore or gloss over the profoundity of this conflict of view.

The free society values the individual as an end in himself. It requires of him only that self-discipline and self-restraint which makes the rights of each individual compatible with the rights of every other individual. Individual freedom, therefore, implies individual responsibility not to exercise freedom in ways inconsistent with the freedom of other individuals, and responsibility positively to make constructive use of freedom in the building of a just society.

In relations between nations, the prime reliance of the free society is on the strength and appeal of its principles, and it feels no compulsion sooner or later to bring all societies into conformity with it.

It does not fear, rather it welcomes, diversity and derives its strength from freedom of inquiry and tolerance even of antipathetic ideas.

No Moral Compromise with International Communism

We can see no moral compromise with the contrary theses of international Communism: that the end justifies the means, that any and all methods are, therefore, permissible, and that the dignity of the human individual is of no importance as against the interest of the state.

To our minds, these principles mean, in their practical application, the arrogation to individual human leaders, with all their inevitable frailties and limitations, of powers and pretenses which most of us would be willing to concede only to the infinite wisdom and compassion of a Divine Being. They mean the police state, with all that implies; a regimentation of the worker which is

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 26	95.9	89.8	88.8	101.1
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 26	1,820,500	1,711,300	1,692,800	1,863,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 11	4,826,950	4,909,250	4,951,250	5,180,700
Crude runs to stills—daily average (bbls.)	Mar. 11	¶5,314,000	5,316,000	5,362,000	5,452,000
Gasoline output (bbls.)	Mar. 11	17,603,000	17,707,000	17,887,000	17,267,000
Kerosene output (bbls.)	Mar. 11	2,429,000	*2,184,000	2,327,000	2,093,000
Gas, oil, and distillate fuel oil output (bbls.)	Mar. 11	6,250,000	7,048,000	6,741,000	7,325,000
Residual fuel oil output (bbls.)	Mar. 11	8,210,000	8,140,000	8,693,000	8,125,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 11	135,284,000	134,203,000	129,362,000	126,188,000
Kerosene (bbls.) at	Mar. 11	14,407,000	15,466,000	17,120,000	18,517,000
Gas, oil, and distillate fuel oil (bbls.) at	Mar. 11	46,575,000	51,670,000	60,602,000	51,804,000
Residual fuel oil (bbls.) at	Mar. 11	44,544,000	46,086,000	52,865,000	58,707,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 11	§707,962	§574,395	§568,841	709,326
Revenue freight received from connections (number of cars)	Mar. 11	§587,655	§518,611	§542,099	621,334
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. Construction	Mar. 16	$213,207,000	$210,567,000	$120,047,000	$127,282,000
Private construction	Mar. 16	146,597,000	122,135,000	85,084,000	59,828,000
Public construction	Mar. 16	66,610,000	88,432,000	34,963,000	67,454,000
State and municipal	Mar. 16	58,394,000	76,547,000	21,648,000	38,090,000
Federal	Mar. 16	8,216,000	11,885,000	13,315,000	29,364,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 11	13,200,000	3,075,000	2,592,000	10,682,000
Pennsylvania anthracite (tons)	Mar. 11	1,202,000	662,000	701,000	700,000
Beehive coke (tons)	Mar. 11	19,300	*2,800	3,900	149,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Mar. 11	253	244	238	256
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 13	6,015,327	5,936,586	5,931,351	5,495,769
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET INC.	Mar. 16	203	221	218	210
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 14	‡3.837c	3.837c	3.837c	3.754c
Pig iron (per gross ton)	Mar. 14	$46.38	$46.38	$46.38	$46.74
Scrap steel (per gross ton)	Mar. 14	$27.92	$27.42	$27.25	$35.53
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 15	18.200c	18.200c	18.200c	23.200c
Export refinery at	Mar. 15	18.425c	18.425c	18.425c	23.500c
Straits tin (New York) at	Mar. 15	76.500c	74.500c	74.500c	103.000c
Lead (New York) at	Mar. 15	10.500c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Mar. 15	10.300c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Mar. 15	10.000c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 21	103.15	103.25	103.44	101.70
Average corporate	Mar. 21	116.41	116.22	116.41	113.12
Aaa	Mar. 21	121.25	121.25	121.46	119.00
Aa	Mar. 21	119.82	120.02	120.02	117.20
A	Mar. 21	116.02	115.82	115.82	112.19
Baa	Mar. 21	103.83	108.70	108.70	104.83
Railroad Group	Mar. 21	111.62	111.62	111.62	108.34
Public Utilities Group	Mar. 21	117.40	117.40	117.40	113.89
Industrials Group	Mar. 21	120.22	120.22	120.22	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 21	2.26	2.26	2.25	2.38
Average corporate	Mar. 21	2.33	2.84	2.83	3.00
Aaa	Mar. 21	2.59	2.59	2.58	2.70
Aa	Mar. 21	2.66	2.65	2.65	2.79
A	Mar. 21	2.85	2.86	2.86	3.05
Baa	Mar. 21	3.23	3.24	3.24	3.46
Railroad Group	Mar. 21	3.08	3.08	3.08	3.28
Public Utilities Group	Mar. 21	2.78	2.78	2.78	2.96
Industrials Group	Mar. 21	2.64	2.64	2.64	2.78
MOODY'S COMMODITY INDEX	Mar. 21	355.9	355.9	355.7	368.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 11	219,528	249,542	201,511	158,333
Production (tons)	Mar. 11	191,702	195,468	209,827	162,692
Percentage of activity	Mar. 11	89	88	93	80
Unfilled orders (tons) at	Mar. 11	395,211	371,003	365,243	278,632
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Mar. 17	121.9	121.8	120.9	137.4
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Mar. 4	27,345	21,774	33,790	17,983
Number of shares	Mar. 4	808,763	650,791	1,014,757	491,049
Dollar value	Mar. 4	$32,879,477	$26,303,809	$39,840,155	$18,690,884
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 4	27,718	23,960	35,523	16,183
Customers' short sales	Mar. 4	113	141	317	227
Customers' other sales	Mar. 4	27,605	23,819	35,206	15,956
Number of shares—Customers' total sales	Mar. 4	782,446	660,535	998,842	426,529
Customers' short sales	Mar. 4	4,078	5,464	11,036	8,627
Customers' other sales	Mar. 4	778,368	655,071	987,806	417,902
Dollar value	Mar. 4	$27,697,212	$23,227,829	$35,505,730	$14,180,706
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 4	246,820	204,980	307,570	133,080
Short sales	Mar. 4	------	------	------	------
Other sales	Mar. 4	246,820	204,980	307,570	133,080
Round-lot purchases by dealers—					
Number of shares	Mar. 4	272,720	206,230	340,560	204,240
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Mar. 14	151.9	152.0	152.2	158.5
Farm products	Mar. 14	158.7	158.0	159.1	170.9
Grains	Mar. 14	165.5	164.0	161.1	161.5
Livestock	Mar. 14	201.0	201.8	202.6	207.1
Foods	Mar. 14	155.3	156.0	156.8	163.0
Meats	Mar. 14	214.3	215.8	215.5	222.2
All commodities other than farm and foods	Mar. 14	145.3	145.4	145.3	151.0
Textile products	Mar. 14	136.4	136.8	137.2	144.4
Fuel and lighting materials	Mar. 14	130.2	130.1	130.4	134.0
Metals and metal products	Mar. 14	169.3	169.3	169.3	174.5
Building materials	Mar. 14	193.2	193.2	191.5	199.6
Chemicals and allied products	Mar. 14	115.8	115.9	115.4	122.3

*Revised figure. ¶Includes 478,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of February (in thousands)	$96,231,000	$106,636,000	$89,850,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of Feb. (in millions):			
Total new construction	$1,414	*$1,496	$1,172
Private construction	1,078	*1,139	905
Residential building (nonfarm)	600	650	400
Nonresidential building (nonfarm)	246	*252	271
Industrial	70	69	104
Commercial	75	77	78
Warehouses, office and loft buildings	25	*26	27
Stores, restaurants and garages	50	*51	51
Other nonresidential buildings	101	*106	89
Religious	28	29	25
Educational	20	22	21
Hospital and Institutional	24	*23	11
Social and recreational	17	*19	19
Remaining types	12	13	13
Farm construction	12	17	10
Public utilities	220	226	224
Railroad	23	25	25
Telephone and Telegraph	41	40	46
Other public utilities	156	161	153
Public construction	336	*357	267
Residential building	24	*24	8
Nonresidential building (other than military or naval facilities)	140	142	108
Educational	75	77	60
Hospital and institutional	40	*40	27
All other nonresidential	25	*25	21
Military and naval facilities	9	10	[illegible]
Highways	55	*70	5[illegible]
Sewer and water	44	45	3[illegible]
Miscellaneous public service enterprises	7	6	[illegible]
Conservation and development	45	48	3[illegible]
All other public	12	12	[illegible]
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of January (000's omitted)	$530,200	$1,497,400	$532,100
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of January:			
Cotton Seed—			
Received at mills (tons)	178,929	449,701	211,838
Crushed (tons)	654,340	677,438	613,834
Stocks (tons) Jan. 31	1,408,603	1,884,014	1,664,838
Crude Oil—			
Stocks (pounds) Jan. 31	171,922,000	181,587,000	188,390,000
Produced (pounds)	210,057,000	217,619,000	195,053,000
Shipped (pounds)	193,539,000	190,049,000	169,804,000
Refined Oil—			
Stocks (pounds) Jan. 31	255,630,000	218,210,000	202,869,000
Produced (pounds)	175,927,000	172,940,000	156,949,000
Consumption (pounds)	145,547,000	153,830,000	130,378,000
Cake and Meal—			
Stocks (tons) Jan. 31	175,684	142,801	100,297
Produced (tons)	288,029	309,772	272,678
Shipped (tons)	255,146	290,489	253,896
Hulls—			
Stocks (tons) Jan. 31	106,610	110,166	97,957
Produced (tons)	152,092	158,420	143,813
Shipped (tons)	155,648	168,878	126,184
Linters—running bales—			
Stocks Jan. 31	216,847	264,805	218,865
Produced	192,703	202,785	187,511
Shipped	240,661	179,984	159,617
Hull Fiber (1,000-lb. bales)—			
Stocks Jan. 31	1,628	1,702	915
Produced	1,196	1,394	1,907
Shipped	1,270	1,314	1,763
Motes, grabbots, etc. (1,000 pounds)—			
Stocks Jan. 31	6,759	7,164	12,172
Produced	3,482	3,628	3,496
Shipped	3,887	3,125	1,743
MONEY IN CIRCULATION—TREASURY DEPT. As of January 31 (000's omitted)	$26,940,800	$27,599,995	$27,579,534
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Feb.:			
Industrials (125)	6.49	6.50	7.12
Railroads (25)	6.85	7.10	8.39
¶¶Utilities (24)	5.33	5.35	6.05
Banks (15)	4.32	4.55	4.70
Insurance (10)	3.28	3.37	3.33
Average yield (200)	6.24	6.28	6.85
NEW YORK STOCK EXCHANGE — As of Feb. 28 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$953,059	$901,211	$526,649
Credit extended to customers	47,269	46,484	57,529
Cash on hand and in banks in U. S.	306,130	309,059	349,532
Total of customers' free credit balances	669,089	669,388	565,359
Market value of listed shares	78,638,810	77,940,210	65,324,673
Market value of listed bonds	127,777,276	128,020,569	131,863,412
Member borrowings on U. S. Govt. issues	87,576	94,413	111,722
Member borrowings on other collateral	554,966	543,041	201,486
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of December:			
Production (M sq. ft. ⅜-in. equivalent)	181,490	176,501	155,286
Shipments and consumption (M sq. feet. ⅜-in. equivalent)	185,727	180,945	156,013
Stocks (M sq. ft. ⅜-in. equivalent) at end of month	46,605	51,316	63,688
Consumption of logs (M ft. log scale)	77,402	76,007	69,670
Stocks (M ft. log scale) at end of month	218,287	230,154	343,678
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of December:			
Shipments (short tons)	84,508	76,437	157,395
For sale (short tons)	53,079	50,685	116,285
For producers' own use (short tons)	31,429	25,752	41,110
Unfilled orders for sale at end of month (short tons)	122,887	117,865	354,458
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of January (000's omitted):			
Exports	$743,600	$942,900	$1,104,200
Imports	622,700	605,100	590,300
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Feb. 28	$256,395,406	$256,892,405	$252,747,393
General fund balance	5,186,077	5,048,918	5,290,704
Net debt	$251,209,329	$251,843,487	$247,456,689
Computed annual rate	2.204%	2.205%	2.225%

*Revised figure.

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Our Asiatic Policy and United States-Soviet Tension

hardly distinguishable from slave labor; a loss to society of those things which appear to us to make life worth living; a denial of the fundamental truths embodied in all the great religions of the world.

Here is a moral issue of the clearest nature. It cannot be evaded. Let us make no mistake about it.

Yet it does not follow from this that the two systems, theirs and ours, cannot exist concurrently in this world. Good and evil can and do exist concurrently in the whole great realm of human life. They exist within every individual, within every nation, and within every human group. The struggle between good and evil cannot be confined to governments. That struggle will go on, as it always has, in the wider theater of the human spirit itself.

But it also does not follow from this co-existence of good and evil that the two systems, their and ours, will necessarily be able to exist concurrently. That will depend largely on them, for we ourselves do not find impossibility in the prospect of co-existence with the soviet system.

However much we may sympathize with the Soviet citizens who for reasons bedded deep in history are obliged to live under it, we are not attempting to change the governmental or social structure of the Soviet Union. The Soviet regime, however, has devoted a major portion of its energies and resources to the attempt to impose its system on other peoples. In this attempt it has shown itself prepared to resort to any method or stratagem, including subversion, threats and even military force.

Therefore, if the two systems are to co-exist, some acceptable means must be found to free the world from the destructive tensions and anxieties of which it has been the victim in these past years and the continuance of which can hardly be in the interest of any people.

I wish, therefore, to speak to you about those points of greatest difference which must be identified and sooner or later reconciled if the two systems are to live together, if not with mutual respect, at least in reasonable security. What is it which the leaders of international Communism could do to make such coexistence more tolerable to everyone?

There are a number of things they could do, which, while leaving much yet to do, would give the world new confidence in the possibility of peaceful change, in the principle and processes of peaceful settlement as an effective means of finding workable solutions in areas of disagreement.

A Formula for End of Cold War

Let us look first at the points where we and they are perhaps most closely in contact, and where the establishment of peace in its narrowest, most limited sense is dangerously impeded by the absence of common ground.

(1) Definition of Terms of Peace: It is now nearly five years since the end of hostilities, and the victorious allies have been unable to define the terms of peace with the defeated countries. This is a grave, a deeply disturbing fact. For our part, we do not intend nor wish, in fact we do not know how, to create satellites. Nor can we accept a settlement which would make Germany, Japan, or liberated Austria satellites of the Soviet Union. The experience in Hungary, Rumania, and Bulgaria has been one of bitter disappointment and shocking betrayal of the solemn pledges by the wartime allies. The Soviet leaders joined in the pledge at Tehran that they looked forward "with confidence of the day when all peoples of the world may live free lives, untouched by tyranny, and according to their varying desires and their own consciences." We can accept treaties of peace which would give reality to this pledge and to the interests of all in security.

With regard to Germany, unification under a government chosen in free elections under international observation is a basic element in an acceptable settlement. With that need recognized and with a will to define the terms of peace, a German treaty could be formulated which, while not pretending to solve all of the complex and bitter problems of the German situation, would, nevertheless, go far toward a relaxation of a set of major tensions.

With regard to Austria, that unhappy country is still under occupation because the Soviet leaders do not want a treaty. The political and economic independence of Austria is being sabotaged by the determination of the Soviets, camouflaged in technicalities, to maitain their forces and special interest in Eastern Austria.

With regard to Japan, we feel that the Soviet leaders could recognize the interest which nations other than the members of the Council of Foreign Ministers have in a Japanese peace treaty and could refrain from taking positions and insisting on procedures which block progress toward a treaty.

In the Far East generally, there are many points where the Soviet leaders could, if they chose, relax tensions. They could, for example, permit the United Nations' Commission in Korea to carry out its duties by allowing the Commission's entry into North Korea and by accepting its report as the basis for a peaceful settlement of that liberated country's problems. They could repatriate Japanese prisoners of war from Siberian camps. They could refrain from subverting the efforts of the newly independent states of Asia and their native leaders to solve their problems in their own way.

(2) Use of Force: With regard to the whole group of countries which we are accustomed to think of as the Satellite areas, the Soviet leaders could withdraw their military and police force and refrain from using the shadow of that force to keep in power persons or regimes which do not command the confidence of the respective peoples, freely expressed through orderly representative processes. In other words, they could elect to observe, in practice, the declaration to which they set their signatures at Yalta concerning liberated Europe.

In this connection we do not insist that these governments have any particular political or social complexion. What concerns us is that they should be truly independent national regimes, with a will of their own and with a decent foundation in popular feeling. We would like to feel, when we deal with these governments, that we are dealing with something representative of the national identity of the peoples in question. We cannot believe that such a situation would be really incompatible with the security of the Soviet Union.

This is a question of elementary good faith, and it is vital to a spirit of confidence that other treaties and other agreements will be honored. Nothing would so alter the international climate as the holding of elections in the satellite states in which the true will of the people could be expressed.

(3) Obstruction in the United Nations: The Soviet leaders could drop their policy of obstruction in the United Nations and could instead act as if they believe the United Nations is, as Stalin himself has recently called it, a serious instrumentality for the maintenance of international peace and security. They are simply not acting that way now.

Their policy of walk-out and boycott is a policy that undermines the concept of majority decision. Indeed, they seem deliberately to entrench themselves in a minority position in the United Nations. This was illustrated last fall when they voted against the Essentials of Peace Resolution which solemnly restated and reaffirmed the principles and purposes of the United Nations Charter and which pointed to practical steps which Members should take to support the peace.

A respect for the expressed will of the majority is as fundamental to international organization as it is to democracy. We know that a majority of the General Assembly has generally not agreed with the Soviet Union, whereas we ourselves have generally been on the majority side. There is nothing artificial about this situation. It has not been the result of any sleight of hand or pressures on our part. We do not have any satellites whose votes we control. The significant fact is that proposals which have commended themselves to a majority of the members of the United Nations have also commended themselves to us.

Let the Soviet Union put forward in the United Nations genuine proposals conducive to the work of peace, respectful of the real independence of other governments, and appreciative of the role which the United Nations could and should play in the preservation of world stability and the cooperation of nations. They will then doubtless have a majority with them. We will rejoice to see them in such a majority. We will be pleased to be a member of it ourselves.

(4) Effective Control of Atomic Energy: The Soviet leaders could join us in seeking realistic and effective arrangements for the control of atomic weapons and the limitation of armaments in general. Ke know that it is not easy for them under their system to contemplate the functioning on their territory of an authority in which people would participate who are not of their political persuasion.

If we have not hesitated to urge that they as well as we accept this requirement it is because we believe that a spirit of genuine responsibility to mankind is widely present in this world. Many able administrators and scientists could be found to operate such an authority who would be only too happy, regardless of political complexion, to take an elevated and enlightened view of the immense responsibility which would rest upon them. There are men who would scorn to use their powers for the negative purpose of intrigue and destruction. We believe that an authority could be established which would not be controlled or subject to control by either ourselves or the Soviet Union.

(5) Attempts at Undermining Established Governments: The Kremlin could refrain from using the Communist apparatus controlled by it throughout the world to attempt to overthrow, by subversive means, established governments with which the Soviet Government stands in an outward state of friendship and respect. In general, it could desist from, and could cooperate in efforts to prevent, indirect aggression across national frontiers—a mode of conduct which is inconsistent with the spirit and the letter of the United Nations Charter.

(6) Proper Treatment of Diplomatic Representatives: The Soviet leaders could cooperate with us to the end that the official representatives of all countries are treated everywhere with decency and respect and that an atmosphere is created in which these representatives could function in a normal and helpful manner, conforming to the accepted codes of diplomacy.

The standards of conduct of our own representatives are known from more than a century and a half of American diplomatic experience. These standards are such that all countries which have accepted our representatives in a spirit of respect and confidence over periods of many decades have certainly remained none the worse for it. The independence of those countries has not been undermined; their peoples have not been corrupted; their economies have not been scathed by sabotage.

When we now find our representatives treated as criminals, when we see great official propaganda machines reiterating that they are sinister people and that contact with them is pregnant with danger — we cannot believe that such insinuations are advanced in good faith, and we cannot be blind to the obvious implications of such an attitude.

(7) Distortion of Motives of Others: In general, the Soviet leaders could refrain, I think, from systematically distorting to their own peoples the picture of the world outside their borders, and of our country, in particular.

We are not suggesting that they become propagandists for any country or system other than their own. But the Soviet leaders know, and the world knows with what genuine disappointment and concern the people of this country were brought to the realization that the wartime collaboration between the major allies was not to be the beginning of a happier and freer era in the association between the peoples of the Soviet Union and other peoples.

What are we now to conclude from the morbid fancies which their propaganda machines exudes of a capitalist encirclement, of a United States craftily and systematically plotting another world war? They know, and the world knows, how foreign is the concept of aggressive war to our philosophy and our political system. They know that we are not asking to be the objects of any insincere and effusive demonstrations of sentimental friendship. But we feel that the Soviet leaders could at least permit access to the Soviet Union of persons and ideas from other countries so that other views might be presented to the Russian people.

These are some of the things which we feel that the Soviet leaders could do, which would permit the rational and peaceful development of the co-existence of their system and ours. They are not things that go to the depths of the moral conflict. They are not things that promise the Kingdom of Heaven. They have been formulated by us, not as moralists but as servants of government, anxious to get on with the practical problems that lie before us, and to get on with them in a manner consistent with mankind's deep longing for a respite from fear and uncertainty.

Nor have they been formulated as a one-sided bargain. A will to achieve binding, peaceful settlements would be required of all participants. All would have to produce unmistakable evidence of their good faith. All would have to accept agreements in the observance of which all nations could have real confidence.

U. S. Ready to Cooperate in Peaceful Settlement

The United States is ready, as it has been and always will be, to cooperate in genuine efforts to find peaceful settlements. Our attitude is not inflexible, our opinions are not frozen, our positions are not and will not be obstacles to peace. But it takes more than one to cooperate. If the Soviet Union could join in doing these things I have outlined, we could all face the future with greater security. We could look forward to more than the eventual reduction of some of the present tensions. We could anticipate a return to a more normal and relaxed diplomatic atmosphere, and to progress in the transaction of some of the international business which needs so urgently to be done.

I fear, however, that I must warn you not to raise your hopes. No one who has lived through these postwar years can be sanguine about reaching agreements in which reliance can be placed and which will be observed by the Soviet leaders in good faith. We must not, in our yearning for peace, allow ourselves to be betrayed by vague generalities or beguiling proffers of peace which are unsubstantiated by good faith solidly demonstrated in daily behavior. We are always ready to discuss, to negotiate, to agree, but we are understandably loath to play the role of international sucker. We will take the initiative in the future as we have in the past in seeking agreement whenever there is any indication that this course would be a fruitful one. What is required is genuine evidence in conduct, not just in words, of an intention to solve the immediate problems and remove the tensions which divide us. I see no evidence that the Soviet leaders will change their conduct until the progress of the free world convinces them that they cannot profit from a continuation of these tensions.

So our course of action in the world of hard reality which faces us is not one that is easily charted. It is not one which this nation can adopt without consideration of the needs and views of other free nations. It is one which requires all the devotion and resolve and wisdom that can be summoned up. We have had and continue to have the assistance and advice of distinguished leaders in all walks of life. We have the benefit of the great public discussion which has been proceeding in the democratic way, by free inquiry and free expression.

It is my purpose in talking with you to point a direction and to define the choices which confront us. We need to stand before the world with our own purpose and position clear.

We want peace, but not at any price. We are ready to negotiate, but not at the expense of rousing false hopes which would be dashed by new failures. We are equally determined to support all real efforts for peaceful settlements and to resist aggression.

The times call for a total diplomacy equal to the task of defense against Soviet expansion and to the task of building the kind of world in which our way of life can flourish. We must continue to press ahead with the building of a free world which is strong in its faith and in its material progress. The alternative is to allow the free nations to succumb one by one to the erosive and encroaching processes of Soviet expansion.

We must not slacken, rather we must reinvigorate, the kind of democratic efforts which are represented by the European Recovery Program, the North Atlantic

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Our Asiatic Policy Discussed by Acheson

and Rio Pacts, the Mutual Defense Assistance Program, the Point IV Program for developing the world's new workshops and assistance in creating the conditions necessary to a growing, many-sided exchange of the world's products.

We must champion an international order based on the United Nations and on the abiding principles of freedom and justice, or accept an international society increasingly torn by destructive rivalries.

We must recognize that our ability to achieve our purposes cannot rest alone on a desire for peace, but that it must be supported by the strength to meet whatever tasks Providence may have in store for us.

We must not make the mistake, in other words, of using Soviet conduct as a standard for our own. Our efforts canont be merely reactions to the latest moves by the Kremlin. The bi-partisan line of American foreign policy has been and must continue to be the constructive task of building, in cooperation with others, the kind of world in which freedom and justice can flourish. We must not be turned aside from this task by the diversionary thrusts of the Soviet Union. And if it is necessary, as it sometimes is, to deal with such a thrust or the threat of one, the effort should be understood as one which, though essential, is outside the main stream of our policy.

Progress is to be gained in the doing of the constructive tasks which give practical affirmation to the principles by which we live.

The success of our efforts rests finally on our faith in ourselves and in the values for which this Republic stands. We will need courage and steadfastness and the cool heads and steady nerves of a citizenry which has always faced the future "with malice toward none; with charity toward all; with firmness in the right; as God gives us to see the right."

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From Washington Ahead of the News

such fools of the Administration, if nothing else. If it were at Truman's command he would like to wipe Stalin off the face of the earth.

Then why does Truman harbor Stalin's agents in the government here? The State Department's defense against McCarthy seems to be that it didn't have as many communists as he charges, in the first place; secondly, nearly all of them have been gotten rid of, and thirdly, a lot of them were homosexuals rather than communists. The Department and the Administration never moved at all until forced by Congress to do so, and what still annoys Congress is that of the thousands of cases that have gone through the loyalty boards, such a relatively few have been "convicted." The ratio between those found guilty at the departmental level and then cleared by the top level board, the board of review, is surprisingly large. The head of the top loyalty board is Seth Richardson, a Republican.

On Capitol Hill, among both Republicans and Democrats, the explanation is believed to rest in the legalistic squirmings which the suspects are permitted to go through. If the Administration finds one that is unquestionably a card-carrying communist it shows no disposition to protect him. But where it differs with its critics on the Hill is why it should be necessary to prove him guilty as in a court of law. Amazingly enough the Administration, even Secretary Acheson, does not seem to feel as strongly about the proven card-carrying communist as you would think it would in view, if nothing else, of the embarrassment it has been caused. But it is a fact that it won't hang onto a proven communist, which nowadays means an agent of Stalin. The Administration's trouble comes from its squeamishness in drawing the line between a card-carrying communist who can be proven guilty and the fellow traveler.

This fellow traveler now joins in the tirade against Stalin, for one reason, I suppose, because he has put communism in such a bad light. But aside from joining in this tirade and, I assume, restraining from giving any secrets to Uncle Joe, he has the same intellectual companionship with the communists as he did in the days when Mrs. Roosevelt declaimed that "we are all fellow Democrats moving towards the same goal."

This fellow traveler is against any recognition of Franco, though we would certainly seem to need him on our side in the "coming war"; he works at cultivating trouble with Peron; he is for "democracy" in Indonesia and Greece, et al, where strong governments that tolerated no nonsense would seem to be better up our alley; he prefers the continual disorders in France, instead of the "rightist" De Gaulle. All of these situations are right up Stalin's alley.

On the home front, he favors organized labor stirring up as much trouble as possible; he is for subsidized and co-op housing and socialized medicine as a way of "stopping communism"—stop communism by being communistic ourselves!

But the Administration is made up preponderantly of his type of mind. To get rid of him would be to lose the support of the "Liberals" without which it can't remain in office. They were right in bed with Soviet Russia except for a brief hiatus from late 1939 to mid-summer of 1941, up until Stalin began acting up after the war and then for several months thereafter. In the days of the beautiful association our fellow travelers felt no hesitancy in joining communist front organizations.

It was the fashionable thing to do and the way to advance one's career. But to get any of them out of the government now you've got to prove they are card carriers, their dues paid up to date.

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Recommendations and Literature

Seventh Avenue, New York 1, N. Y.

Foote Brothers Gear & Machine Corp. — Special memorandum—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Foremost Dairies, Inc.—Analysis—Wm. J. Mericka & Co., Inc., 150 Broadway, New York 7, N. Y., and Union Commerce Bldg., Cleveland 14, Ohio.

Govt. Employees' Insurance—Report—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Greer Hydraulics — Descriptive analysis — Raymond & Co., 148 State Street, Boston 9, Mass.

Landis Machine Co.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Lane-Wells Co.—Annual report—Lane-Wells Co., 5610 South Soto Street, Los Angeles 28, Calif.

Long Island Lighting Co.—Annual report—Long Island Lighting Co., Mineola, L. I., N. Y.

Manufacturers Trust Co.—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Montant Power Co.—Special research bulletin—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

National Container Corp.—Circular — Auchincloss, Parker & Redpath, 729 15th Street, N. W., Washington 5, D. C.

New England Public Service Co.—Booklet available for institutions and dealers—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Olympic Radio & Television, Inc.—Memorandum—Frederick S. Robinson & Co., Inc., 52 William Street, New York 5, N. Y.

Public Service Electric and Gas Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the **Cement Industry.**

Southern Pacific Co.—Special memorandum—McGinnis & Co., 61 Broadway, New York 6, N. Y.

Struthers Wells Corp.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Texas Co.—Annual report—The Texas Co., 135 East 42d Street, New York 17, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF DETROIT AND MICHIGAN, INC.

The Joint Summer Outing of the Security Traders Association of Detroit and Michigan, Inc. and the Bond Club of Detroit will be held June 26 and 27. Golf outing will be at Plum Hollow.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• **Alessandro Heater Co., Inc., Sandusky, O.**
March 16 (letter of notification) 250 shares of common stock and 250 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To buy machinery to make and assemble instantaneous heater and cooker. **Office**—534 W. Perkins Avenue, Sandusky, O.

All American Casualty Co., Chicago, Ill.
Feb. 27 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—M. A. Kern, President of company, will sell the stock. **Proceeds** — For stated capital and paid-in surplus to carry on business.

Alumitape Sales Corp., Los Angeles, Calif.
Feb. 28 (letter of notification) 130,000 shares of common stock to be offered at par ($1 per share). No underwriter. Proceeds are to promote and advertise Venetian blind tape and other products and for general selling expenses. **Office**—5404 Alhambra Ave., Los Angeles, Calif.

Ampal-American Palestine Trading Corp., N. Y.
Nov. 3 filed $3,250,000 10-year 3% sinking fund debentures due 1958 and 200,000 shares ($10 par) class A stock. **Underwriter**—Israel Securities Corp. may be underwriter. Debentures are to be offered at par and the stock at $11 per share. **Proceeds**—To be used for economic development of Israel. Statement effective Dec. 9.

• **Armstrong Rubber Co., West Haven, Conn.**
March 10 (letter of notification) 1,200 shares of class A no par value common stock to be sold at $14 per share by James A. Walsh, President. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Armstrong Rubber Co., West Haven, Conn.
March 8 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock and 3,000 shares of class A no par value common stock, to be sold at $40 and $14 per share, respectively, by Frederick Machlin, Executive Vice-President of the company. **Underwriter**—F. Eberstadt & Co., Inc., New York City.

• **(The) Best Foundation, Inc., Indianapolis, Ind.**
March 14 (letter of notification) $400,000 (sic) worth of series 2-21-50 Investment Agreements, to be offered to public at face value in units of $100 and up. **Proceeds** to be used for social welfare purposes. **Office**—7 N. Meridian Street, Indianapolis, Ind.

Beverly Gas & Electric Co.
Dec. 20 filed 33,000 shares of capital stock (par $25) to be offered to stockholders at the rate of 1½ shares for each two shares now held, at $30 per share. No underwriter. The proceeds will be used to pay off $575,000 of notes held by the New England Electric System and bank loans.

• **Bluegrass Life Insurance Co., Louisville, Ky.**
March 10 (letter of notification) 100,000 shares of common stock at $2.50 per share. No underwriter. **Proceeds** for minimum operation capital. **Office**—Marion E. Taylor Bldg., Louisville, Ky.

Boston Edison Co. (4/12)
March 14 filed $18,000,000 of first mortgage 30-year bonds, series B, due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; First Boston Corp.; Harriman, Ripley & Co., Inc.; White Weld & Co. Proceeds will be used to pay $12,000,000 bank loans and for redemption of $6,000,000 25-year 3% notes due 1970. Expected about April 12.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Indefinite.

• **Capper Publications, Inc.**
March 20 filed $2,000,000 of series 6 five-year first mortgage 4% bonds and $2,000,000 of series 7 10-year first mortgage 5% bonds. **Price**—At par, in denominations of

$100, $500 and $1,000. **Underwriter**—None. **Proceeds**—To redeem outstanding bonds and improve facilities. **Office**—Eighth and Jackson Streets, Topeka, Kan.

● **Carter Taylor, Houston, Tex.**
March 17 (letter of notification) $75,000 of certificates of participation in Carter Taylor's oil pool No. 1 at the rate of $1,000 for each 1% of interest in any net profits. No underwriter. Proceeds to drill well and develop lease in North Harris County, Texas. **Office**—1112 Commerce Building Addition, Houston, Texas.

● **Central Arizona Light & Power Co.**
March 21 filed 125,000 shares of common stock (par $5) and 40,000 shares of cumulative preferred stock (par $50). **Underwriters**—First Boston Corp. and Blyth & Co., Inc. **Proceeds**—To pay current construction loans and for further construction costs. **Price**—To be filed by amendment.

Cincinnati Gas & Electric Co.
Feb. 24 filed 556,666 shares of common stock (par $8.50), of which 498,666 will be offered to stockholders of record March 15, 1950, at $28 per share, at rate of one new share for each five held (rights to expire April 7) and 58,000 shares will be sold to officers and employees. **Underwriter**—None. W. E. Hutton & Co. headed groups in previous years. **Proceeds**—For construction. Statement effective March 15.

● **Club Estates, Inc., Baltimore, Md.**
March 14 (letter of notification) 2,200 shares of common stock. **Price**—At par ($100 per share). **Underwriters**—None. **Proceeds**—To be used for acquisition of land in Anne Arundel County, Md. **Office**—10 Light Street, Baltimore, Md.

● **Coca-Cola Bottling Co. of St. Louis**
March 9 (letter of notification) 2,000 shares of common stock to be sold at $30 per share by Willard R. Cox, President. **Underwriters**—G. H. Walker & Co. and Wm. F. Dowdall & Co., St. Louis. Filing subsequently withdrawn.

● **Coleman-Pettersen Corp., Cleveland, Ohio**
March 13 (letter of notification) 5,000 shares of 6% cumulative non-convertible preferred stock (par $20) and 15,000 shares of common stock (par $1). **Price**—Preferred at par and common at $3 per share. **Underwriter**—None. **Proceeds**—To be used for new equipment, retiring a three-year term bank loan, and other purposes. **Office**—2130 St. Clair Avenue, Cleveland, Ohio.

● **Colorado Ohio Corp., Seattle, Wash.**
March 13 (letter of notification 990,000 shares of common stock (par 1 cent). **Price**—25 cents per share. **Underwriter**—Leverett G. Tallman of Seattle, Wash., who is also a director and officer of the company. **Proceeds**—To be used in gold mining development. **Office**—915 American Building, Seattle, Wash.

Cook Coffee Co., Cleveland, Ohio (3/28)
March 6 filed 101,250 shares of common stock (no par) to be sold by 10 stockholders. 10,000 shares will first be offered to employees of the company. **Underwriters**—A. G. Becker & Co. Inc., Chicago, and Merrill, Turben & Co., Cleveland. **Price**—To be supplied in an amendment. **Business**—Coffee roasting. Expected about March 28.

● **Cuddy Mountain Mining Co., Spokane, Wash.**
March 17 (letter of notification) 1,000,000 shares of common stock to be offered at par (10 cents per share), the proceeds to complete the purchase of Blue Dog Mine A Weiser, Idaho, and to develop this mine. **Underwriter**—Explorers, Inc., Spokane. **Office**—711 Hutton Building, Spokane.

● **Deerfield Beach Fishing Pier, Inc., Deerfield Beach, Fla.**
March 17 (letter of notification) 11,771 shares of common stock to be sold at $10 per share. No underwriter. **Proceeds**—To build a fishing pier.

● **Delaware Power & Light Co. (4/5)**
March 8 filed 232,520 shares of common stock (par $13.50) to be offered to stockholders of record April 5, 1950, at the rate of one share for each six held, and then to be offered employees with a maximum purchase of 150 shares per employee. **Underwriter**—(For unsubscribed shares) to be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); Harriman, Ripley & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Price**—To be filed by amendment. **Proceeds**—To finance construction for the company and two subsidiaries. **Bids**—Expected to be received up to 11:30 a.m. (EST) on April 5.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

Duval Sulphur & Potash Co., Houston, Texas
Dec. 21 filed 375,000 shares of capital stock (no par) to be offered to stockholders at $13.50 per share at the rate of ¾ths of a new share for each share held on Feb. 14, 1950. [The United Gas Corp., owner of 373,557 shares, or 74.71% of the outstanding 550,000 shares of Duval capital stock, has agreed to purchase at the subscription price any shares of stock not subscribed for by other stockholders.] Rights will expire March 9 **Underwriter**—None. **Proceeds**—To be used, along with a $2,500,000 bank loan, to provide mining and milling facilities to mines potash in Eddy County, N. M. Statement effective Feb. 14.

NEW ISSUE CALENDAR

March 23, 1950
Seaboard Air Line RR.
Noon (EST) .... Equip. Trust Ctfs.

March 27, 1950
Palisades Nepheline Mining Co., Ltd. .... Capital

March 28, 1950
Chicago Burlington & Quincy RR.
11 a.m. (CST) .... Bonds
Cook Coffee Co. .... Common
Equitable Gas Co. .... Common
Metropolitan Edison Co.
Noon (EST) .... Bonds & Preferred
Monongahela Power Co., noon (EST) .... Preferred
Northern Indiana Public Service Co.
11 a.m. (CST) .... Bonds
Puerto Rico (Territory of), 11 a.m. (EST) .... Bonds

March 29, 1950
Gerber Products Co. .... Common
Texas Gas Transmission Co. .... Common

March 30, 1950
Hoffman Radio Corp. .... Common

March 31, 1950
Iowa Electric Light & Power Corp. .... Pfd. & Com.

April 1, 1950
Gundel (J. B.) & Co., Inc. .... Common

April 4, 1950
Georgia Power Co., 11 a.m. (EST) .... Bonds
Lit Brothers .... Debentures
Tennessee Gas Transmission Co. .... Preferred

April 5, 1950
Delaware Power & Light Co.
11:30 a.m. (EST) .... Common

April 6, 1950
Wheeling & Lake Erie RR. .... Bonds

April 10, 1950
Utah Fuel Co., 11 a.m. (EST) .... Common

April 12, 1950
Boston Edison Co. .... Bonds

April 17, 1950
Pacific Power & Light Co. .... Bonds

May 2, 1950
Public Service Electric & Gas Co. .... Bonds

May 22, 1950
Iowa Public Service Co. .... Preferred

Emery Air Freight Corp.
March 6 (letter of notification) 600 shares of common stock (par 20¢). **Price**—At market (about $2.50 per share). **Underwriter**—Reynolds & Co. **Proceeds**—To selling stockholder.

Equitable Gas Co., Pittsburgh, Pa. (3/28)
March 2 filed an unspecified number of shares of common stock, to be sold by The Philadelphia Co., Pittsburgh. On March 15 it was announced that 2,000,000 shares would be publicly offered. **Price**—To be filed by amendment (expected at $24.25 per share). **Underwriters**—Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.

Equitable Securities Co., Indianapolis, Ind.
Feb. 24 (letter of notification) $100,000 of 5% sinking fund debentures. **Underwriter**—City Securities Corp., Indianapolis. **Proceeds**—For working capital.

● **Farm & Home Insurance Corp. (Arizona)**
March 13 (letter of notification) $225,000 face value of subscriptions entitling holders to 25-cent par value stock in the corporation. **Underwriters**—Company and Farm & Home Loan & Discount Co., Mesa. Proceeds to be invested under a trust agreement. **Office**—46 N. Macdonald, Mesa, Ariz.

Fitzsimmons Stores, Ltd., Los Angeles, Cal.
Dec. 16 (letter of notification) 30,000 shares of class A common stock, of which 22,778 are to be issued in exchange for 3,254 shares of Roberts Public Markets, Inc. at the rate of seven shares of Fitzsimmons for each share of Roberts. Any additional shares not needed for the exchange will be sold at $10 each. No underwriter. **Proceeds**—For working capital.

Fitzsimmons Stores, Ltd.
Feb. 20 filed 40,000 shares of 6% cumulative convertible preferred stock (par $25). **Underwriter**—Lester & Co., Los Angeles, will buy all 40,000 shares at $23 each, of which 4,000 will be held for investment and 36,000 sold at $25 per share. **Proceeds**—To reduce bank indebtedness incurred to buy a subsidiary, Roberts Public Markets, Inc. **Business**—Grocery stores.

● **Fox Metal Products Corp., Littleton, Colo.**
March 16 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—To be used in liquidating current obligations to the RFC and other creditors. **Office**—4002 So. Clay Street, Littleton, Colo.

Garfinkel (Julius) & Co., Inc.
Feb. 2 (letter of notification) 5,000 shares of common stock (par 50c) to be sold by Mrs. Dee M. Schmid, Washington, D. C., at the market price of between $19⅝ and $16¾ per share. **Underwriter**—Auchincloss, Parker & Redpath, Washington.

Georgia Power Co. (4/4)
March 3 filed $15,000,000 of 30-year first mortgage bonds due 1980. **Underwriter**—To be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Drexel & Co.; Morgan Stanley & Co.; Harriman Ripley & Co. **Proceeds**—To finance construction program. **Bids**—To be received up to 11 a.m. (EST) April 4.

Gerber Products Co. (3/29-30)
March 10 filed 140,000 shares of common stock ($10 par value), of which 10,000 will be offered to employees directly. **Underwriter**—A. G. Becker & Co., Inc., Chicago. **Price**—To be filed by amendment. **Proceeds**—To expand and for working capital.

Glidden Co., Cleveland, Ohio
Feb. 24 filed 178,825 shares of common stock (no par) to be offered common stockholders of record March 15 at the rate of one new share for each 10 held at $28.75 per share. Rights expire March 29. **Underwriter**—Blyth & Co., Inc.; A. G. Becker & Co., Inc.; Central Republic Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane. Statement effective March 15. **Proceeds**—For additional working capital.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

● **Hammond Instrument Co., Chicago, Ill.**
March 13 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$20 per share. **Underwriter**—Paul H. Davis & Co. of Chicago.

● **Hastings Manufacturing Co., Hastings, Mich.**
March 20 filed 300,000 shares of common stock (par $2). **Underwriters**—F. Eberstadt & Co. of New York and Watling, Lerchen & Co. of Detroit. **Price**—To be filed by amendment. **Proceeds**—To Aben E. Johnson (President) and 52 other stockholders.

● **Herman Gnewotta, D/B/A/H. Gnewotta Studios**
March 17 (letter of notification) $25,000 of 10-year 6% notes at $100 each. No underwriter. Proceeds for operating capital and to build a commercial advertising studio. **Address**—3470 W. 122nd Street, Cleveland, Ohio.

Hoffman Radio Corp. (3/30)
March 9 filed 50,000 shares of 66⅔ cents par value common stock. (In addition, warrants outstanding for purchase of 45,000 shares of common stock to be purchased at $4 per share may now be exercised.) The 50,000 block is being sold by Frances E. Hoffman and Jane Leslie Hoffman, wife and daughter of H. L. Hoffman, President of the company. **Underwriters**—William R. Staats Co., Los Angeles, and Paul H. Davis & Co., Chicago. **Price** — To be filed by amendment. **Proceeds** — For working capital. Expected about March 30.

Howe Sound Co.
Feb. 28 filed 76,983 shares of 4½% cumulative preferred stock, par $50 (convertible into common stock on or before April 1, 1955), offered first to commend stockholders of record March 20 in ratio of one preferred share for each six common shares held. Rights will expire April 4, 1950. **Price**—At par. **Underwriter**—Union Securities Corp. principal underwriter. **Proceeds**—To be used to complete the development of the Blackbird cobalt mine in Idaho.

● **Hydroway, Inc., Philadelphia, Pa.**
March 16 (letter of notification) 1,600 shares of preferred stock (par $100) and 1,200 shares of common stock (par $10). **Price**—At par. **Underwriter**—None. **Proceeds**—For experimentation, manufacture and sale of a vacuum cleaner. **Address**—Care of Cohen & Cohen, Room 1920, 12 So. 12th Street, Philadelphia 7, Pa.

Hytron Radio & Electronics Corp., Salem, Mass.
March 10 filed 200,000 shares of 6% cumulative convertible preferred stock ($8 par value) and 440,000 shares of common stock (par $1), of which 40,000 shares of common stock will be sold by four officers of the company. **Underwriters**—Barrett Herrick & Co., Inc., New York, and Sills, Fairman & Harris, Inc., Chicago. **Price**—$8 for the preferred; the common stock price to be filed by amendment. **Proceeds**—To finance expansion of Hytron and its subsidiaries. Expected second or third week in April.

● **Illinois Power Co.**
March 21 filed $10,000,000 first mortgage bonds due 1980 and 300,000 shares of cumulative preferred stock (par $50). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane for preferred not needed to exchange outstanding 4.70% preferred stock (on a share-for-share basis plus cash). Underwriter for bonds to be determined by competitive bidding; probable bidders include:

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Halsey, Stuart & Co. Inc.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co., Inc., and Glore, Forgan & Co. (jointly); Union Securities Corp.; Kuhn, Loeb & Co., and Lazard Freres & Co. (jointly). **Price**—For preferred to be filed by amendment. **Proceeds**—To pay short-term bank loans made for construction. Expected in April.

● **Inter-Mountain Telephone Co.**
March 20 filed 95,000 shares of $10 par common stock. **Underwriters**—Group of six headed by Courts & Co., Atlanta, Ga. Holders of record at close of business on March 31 of outstanding shares of common stock will be issued rights to subscribe for the 95,000 new shares, in the ratio of one share for each two shares then held. **Price**—To be supplied by amendment. **Proceeds**—To be used to reduce short-term bank borrowings outstanding.

Iowa Electric Light & Power Corp. (3/31-4/3)
March 13 filed 108,834 shares of cumulative preferred stock (par $50) and 925,000 shares of common stock (par $5). These new stocks, along with cash, will be used to retire 49,290 shares of series A 7% preferred stock, 15,605 shares of series B 6½% preferred stock and 43,939 shares of series C 6% preferred stock. All unissued shares will be offered by underwriters. **Underwriters**—The First Boston Corp., New York, and G. H. Walker & Co., Providence, R. I. **Proceeds**—Will be used to redeem unexchanged shares of old preferred stock at $102.50 per share. Expected March 31 or April 3.

Iowa Public Service Co. (5/22)
Feb. 21 filed 50,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: A. C. Allyn & Co.; Harriman Ripley & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co. **Proceeds**—For payment of bank loans and for construction. Expected May 22.

● **Johnson Power-On Transmission Corp. of Ill.**
March 10 (letter of notification) 5,000 shares of common capital stock at par ($10 per share). No underwriter. Proceeds to improve and develop automatic power transmission devices. **Office**—328 S. Jefferson St., Chicago 6, Ill.

Kansas City Power & Light Co.
March 3 filed 1,904,003 shares of common stock (no par) to be offered by United Light & Rys. Co., Chicago, at $12 per share to United Light stockholders of record March 23 on the basis of three shares of Kansas City stock for each five shares of United stock held. Rights are to expire April 20. **Underwriters**—None.

● **Kaye-Halbert Corp., Los Angeles, Calif.**
March 16 (letter of notification) 6,700 shares of common stock (par $1) to be issued to creditors to cancel $16,750 of indebtedness. No underwriter. Proceeds for working capital. **Office**—659 S. Citrus Avenue, Los Angeles, Calif.

Lincoln Telephone & Telegraph Co., Lincoln, Nebraska
March 2 (letter of notification) 15,000 shares of common stock (par $16.66⅔). **Price**—$20 per share. **Underwriter**—None. **Offered**—To common stockholders of record Jan. 9, 1950; rights to expire April 3, 1950. **Proceeds**—For working capital and expansion.

Lit Brothers, Philadelphia, Pa. (4/4)
March 13 filed $6,000,000 sinking fund debentures (subordinated) due March 1, 1970. **Price**—To be filed by amendment. **Underwriter**—Group to be managed by A. G. Becker & Co., Inc. **Proceeds**—To retire $5,987,000 of 6% preferred stock. Expected about April 4.

Lowell Electric Light Corp., Lowell, Mass.
Dec. 30 filed 55,819 shares of capital stock (par $25). **Offering**—To be offered at $35 per share to common stockholders at the rate of one new share for each three shares held. **Underwriter**—None. **Proceeds**—To repay bank loans, for construction and to make further improvements.

Lytton (Henry C.) & Co., Chicago, Ill.
March 1 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$8 per share. **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To two selling stockholders.

Metropolitan Edison Co. (3/28)
Jan. 20 filed $7,000,000 of first mortgage bonds, due 1980, and 30,000 shares of $100 par value cumulative preferred stock (par $100). **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Drexel & Co.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co.; White, Weld & Co. (bonds); Lehman Brothers (bonds); Kuhn, Loeb & Co. (bonds); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly on preferred); Glore, Forgan & Co. and W. C. Langley & Co. (jointly on pfd.). **Proceeds**—For construction and to reimburse treasury for past capital expenditures. **Bids**—Tentatively expected at noon (EST) on March 28.

Michigan Gas & Electric Co., Ashland, Wis.
Feb. 24 (letter of notification) 12,000 shares of common stock offered to stockholders of record March 7 at the rate of one share for each 10 held at $20 per share. Rights expire March 27. No underwriter. Proceeds for construction. **Office**—101 W. 2nd Street, Ashland, Wis.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

● **Miracold, Inc., Seattle, Wash.**
March 16 (letter of notification) $75,000 of 5% three-year notes, with purchasers to $1,000 of notes permitted to buy 1,000 shares of common stock for $10 and ½ of 1% interest in patent royalties for an additional $40. No underwriter. Proceeds for working capital, sales promotion, advertising and to acquire manufacturing facilities. **Office**—911 Western Avenue, Seattle, Wash.

● **Mississippi River Fuel Corp.**
March 21 filed 245,708 shares of common stock (par $10) to be offered first to common stockholders of record April 4, 1950, in the ratio of one share for each four shares held; rights to expire April 24, 1950. **Price**—To be filed by amendment. **Underwriter**—Union Securities Corp. will head group. **Proceeds**—To be used to retire $7,250,000 bank loans and balance applied toward construction costs.

Monongahela Power Co. (3/28)
Feb. 23 filed 60,000 shares of cumulative preferred stock, series C (par $100). **Underwriter**—Names to be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Goldman, Sachs & Co. (jointly); Glore, Forgan & Co., and W. C. Langley & Co. (jointly). **Bids**—To be received at office of West Penn Electric Co., 50 Broad Street, New York, N. Y., up to noon (EST) on March 28. **Proceeds**—For construction expenditures.

Mountain States Telephone & Telegraph Co.
March 10 filed 183,918 shares of capital stock, to be offered to stockholders of record March 27 at the rate of one for each five shares; rights to expire, about April 28. **Underwriter**—None. **Price**—At par ($100 per share). **Proceeds**—To pay indebtedness to its parent, American Telephone & Telegraph Co., and for corporate purposes, including construction.

● **National Motor Bearing Co., Inc., Redwood City, Calif.**
March 17 filed 129,000 shares of capital stock (par $1). **Underwriter**—Blyth & Co., Inc., San Francisco. **Price**—To be supplied by amendment. **Proceeds**—To be used to pay off outstanding loans.

Northern Indiana Public Service Co. (3/28)
Feb. 23 filed $12,000,000 first mortgage bonds series E, due 1980. **Underwriter**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Central Republic Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; First Boston Corp.; Harriman Ripley & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co.; Equitable Securities Corp. **Proceeds**—To pay for construction costs. **Bids**—To be received up to 11 a.m. (CST) on March 28 at Harris Trust and Savings Bank, 115 West Monroe Street, Chicago, Ill.

● **Oil Hunters, Inc., Fort Worth, Tex.**
March 9 (letter of notification) 2,000,000 shares of common stock at par (10 cents per share). No underwriter. Proceeds to pay indebtedness and drill test wells. **Office**—413 American Fidelity Bldg., Fort Worth, Tex.

Oklahoma Gas & Electric Co.
March 6 filed 97,900 shares common stock (par $20) to be offered stockholders of record on or about April 5, 1950, at the rate of one for each 10 now held. Rights will expire in about 15 days after mailing of warrants. Standard Gas & Electric Co., owner of 550,041 shares, plans to subscribe to the 55,004 shares to which it is entitled. **Underwriter**—No underwriter, but any NASD member helping a stockholder with a subscription will be paid 25 cents per share. **Price**—To be filed by amendment. **Proceeds**—For construction.

Pacific Gas & Electric Co.
Feb. 23 filed 1,656,156 shares of common stock (par $25) to be offered to common stockholders of record March 14 at $30 per share on the basis of one new share for each five shares held. Rights will expire April 5. **Underwriters**—Blyth & Co., Inc., heads group of about 200 investment firms. **Proceeds**—To finance in part construction program. Statement effective March 14.

● **Pacific Power & Light Co. (4/17)**
March 17 filed $9,000,000 of first mortgage bonds due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp., Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., White, Weld & Co. and Harris, Hall & Co. (Inc.) (jointly); Carl M. Loeb, Rhoades & Co.; Lehman Brothers. **Proceeds**—To be used to pay off 2¾% promissory notes held by Mellon National Bank & Trust Co. and payable May 1, 1950.

Pacific Telephone & Telegraph Co.
Feb. 23 filed 814,694 shares of common stock (par $100) to be offered common and preferred stockholders of record March 21, 1950 at the rate of one share for each six shares held; rights expire April 21. **Underwriter**—None. **Price**—At par. **Proceeds**—For Construction and to repay bank loans made for construction purposes. American Telephone & Telegraph Co., parent, owns 3,732,493 shares, or 91.75% of the 4,068,165 common shares outstanding, and 640,957 shares, or 78.17% of the 620,000 shares of 6% preferred stock. Statement effective March 14.

Palisades Nepheline Mining Co., Ltd. (3/27)
Feb. 21 filed 1,000,000 shares of capital stock (par $1 Canadian funds). **Price**—40 cents per share. **Underwriter**—F. W. Macdonald & Co., Inc., New York. **Proceeds**—For mining costs. **Business**—Mining nepheline syenite deposits. Expected March 27.

● **Pennsylvania & Southern Gas Co., Westfield, New Jersey**
March 17 (letter of notification) 15,761 shares of common stock at the market (estimated at $4 per share) for account of R. Gould Morehead, Treasurer. **Underwriter**—Bioren & Co., Philadelphia.

● **Perfection Logs, Inc., Coeur d'Alene, Idaho**
March 6 (letter of notification) not more than 75,000 shares of capital stock at $1 per share. No underwriters. Proceeds to be used for expanding operations of precut log manufacturing.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

● **Rand McNally & Co., Chicago**
March 14 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To be added to working capital. **Office**—536 So. Clark Street, Chicago, Ill.

Rotella Beverages, Inc. (N. J.)
Feb. 17 (letter of notification) $100,000 10-year 5% convertible income debentures, at par, in New Jersey only. No underwriter. Proceeds for additional working capital. **Office**—45 Downing Street, Newark, N. J.

● **San Pedro Mines Co., Tuscon, Ariz.**
March 9 (letter of notification) 10,000 shares of common stock at par ($1 per share). No underwriter. Proceeds to drill San Pedro mines property. **Address**—P. O. Box 2086, Tucson, Ariz.

● **Security Insurance Co. of New Haven**
March 22 filed 50,000 shares of capital stock (par $10) and warrants enabling stockholders to purchase these shares at the rate of one share for each five held. **Price**—To be filed by amendment. **Underwriters**—Chas. W. Scranton & Co. and Day, Stoddard & Williams, Inc. **Proceeds**—To increase company's capital and surplus.

Sentinel Radio Corp., Evanston, Ill.
Feb. 15 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$6.50 per share. **Underwriters**—Sulzbacher, Granger & Co., New York. **Proceeds**—For working capital.

Service Finance Co., Los Angeles, Calif.
Dec. 19 (letter of notification) 65,000 shares of common stock. **Price**—Par ($1 each). **Underwriter**—Dempsey Tegeler & Co., Los Angeles. **Proceeds**—For working capital. **Office**—607 S. Hill Street, Los Angeles.

Slick Airways, Inc., San Antonio, Texas
Feb. 10 (letter of notification) $194,000 of 4% convertible income debentures, due 1957 (non-interest bearing until March 1, 1952), and 19,400 shares of common stock (par $10), into which the debentures will be convertible. **Underwriter**—Fridley & Hess, Houston. **Proceeds**—For general corporate purposes.

South Carolina Electric & Gas Co.
Nov. 22 filed $22,200,000 first and refunding mortgage bonds, due 1979. **Underwriter**—Names by amendment (probably Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Union Securities Corp.). **Proceeds**—To redeem a like amount of outstanding first mortgage 3⅜% and 3⅝% bonds. Expected in April.

● **Southeastern Fund, Columbia, S. C.**
March 9 (letter of notification) up to $300,000 of collateral trust notes, with not more than half of these to mature within nine months. No underwriter. Proceeds to buy additional house trailer sales contracts.

Southern New England Telephone Co.
March 9 filed 400,000 shares of common capital stock (par $25) to be offered common stockholders of record March 28, 1950, at the rate of one new share for each seven held. Rights will expire April 21, 1950. **Underwriter**—None. **Price** — At par. **Proceeds** — To repay advances from American Telephone & Telegraph Co. and for further construction.

● **Southwestern States Telephone Co.**
March 15 filed 114,828 shares of common stock (par $1). **Underwriter**—Central Republic Co., Chicago. **Price**—To be supplied by amendment. **Proceeds**—From 65,000 shares go to construction program of company; remaining shares are being sold for account of Allied Syndicate, Inc. of Wilmington, Del.

● **Stanwood Oil Corp., New York City**
March 14 (letter of notification) 5,000 shares of common stock for account of Joseph J. Steinharter, a director, at the market price (estimated to be $3.25 per share). No underwriter. **Office**—420 Lexington Avenue, New York, N. Y.

State Bond & Mortgage Co., New Ulm, Minn.
Feb. 27 filed $500,000 of series 1305 investment certificates; $1,000,000 of series 1207-A accumulative savings certificates, and $10,000,000 of Series 1217-A accumulative savings certificates. No underwriter. An investment company.

● **State Loan & Finance Corp., Washington, D. C.**
March 15 filed $4,000,000 of 5% 10-year sinking fund debentures. **Underwriter**—Johnston, Lemon & Co., Washington. **Price**—To be filed by amendment. **Proceeds**—To pay off serial notes and for working capital. **Business**—Holding company for personal loan subsidiaries.

● **Stouffer Corp., Cleveland, Ohio**
March 15 (letter of notification) 8,018 shares of common stock (par $2.50). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To be used as working capital. **Office**—1375 Euclid Avenue, Cleveland, Ohio

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds** —Funds will be applied to the purchase of equipment, road construction, exploration and development.

● **Super Electric Products Corp. (N. J.)**
March 20 (letter of notification) 140,000 shares of common stock (par $1) to be offered at the market (approximately 70 cents per share for account of Henry Winston (President) who will loan the proceeds to the corporation. Latter will use the money for working capital. No underwriter. **Office**—46 Oliver Street, Newark, N. J.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock. **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. of record July 15, 1949, at rate of one share for each five held. **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

Tennessee Gas Transmission Co. (4/4)
March 14 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be filed by amendment. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York. **Proceeds**—To be added to general funds for use in construction. Expected April 4.

Texas Gas Transmission Co. (3/29)
March 9 filed 213,306 shares of common stock (par $5), owned by 10 stockholders. **Underwriter**—Dillon, Read & Co., Inc., New York. **Price**—To be filed by amendment. Expected March 29.

Texmass Petroleum Co., Dallas, Texas
Jan. 13 filed $3,000,000 of 4½% senior cumulative interest debentures due 1965; $1,200,000 of 5% junior income debentures due 1970; 32,000 shares of $5 class A cumulative preferred stock (no par), with no rights to dividends until 1956; 52,000 shares of $5 class B cumulative preferred stock (no par), with no rights to dividends until 1956; and 2,000 shares of common stock (no par), represented by voting trust certificates; to be issued under a plan of debt adjustment. Any interest payable on debentures must first be approved by RFC, which recently loaned the company $15,100,000. **Underwriter**—None. **Business**—Oil production.

● **Treasure State Supply Co., Houre, Mont.**
March 8 (letter of notification) 2,000 shares of 6% cumulative non-convertible preferred stock and 1,000 shares of non-assessable common stock. **Price**—$100 per share. **Underwriters** — Include Robert M. Darling of Great Falls, Mont. and all officers and directors of the company. **Proceeds**—To be used for construction of a building for corporation headquarters and to maintain inventory requirements. **Office**—415 West 1st Street, Houre, Mont.

● **Turner Airlines, Inc., Indianapolis, Ind.**
March 10 (letter of notification) 60,000 shares of common stock (no par). **Price**—$4 per share. **Underwriter**—None. **Proceeds**—To buy planes, pay overhaul and for working capital and general corporate purposes. **Office** — Weir Cook Municipal Airport, Indianapolis, Ind.

● **United Funds, Inc., Kansas City, Mo.**
March 17 filed 1,200,000 United Income Funds Shares and 1,000,000 United Science Fund Shares. **Underwriters** —Waddell & Reed, Inc., New York and Kansas City. **Price**—To be determined twice daily on basis of net asset value.

● **United Mines of Honduras, Inc., Wilmington, Delaware**
March 16 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To pay indebtedness and for general corporate purposes. **Office**—North American Building, Wilmington, Del.

● **U. S. Oil & Development Corp., Denver, Colo.**
March 10 (letter of notification) 160,000 shares of 6% preferred stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—R. L. Hughes & Co., Denver. **Proceeds**—To drill and rehabilitate wells. **Office**—429 C. A. Johnson Bldg., Denver, Colo.

U. S. Thermo Control Co.
Feb. 21 (letter of notification) 20,000 shares of common stock (par $1) to be sold by William Hecht, Minneapolis. **Underwriters**—Harris, Upham & Co., Minneapolis, and Piper, Jaffray & Hopwood. **Price**—$3 per share.

● **U. S. Thermo Control Co.**
March 17 (letter of notification) 3,300 shares of common stock (par $1) to be sold at more than $3 per share by M. B. Green, Vice-President and Secretary. No underwriter.

● **U. S. Thermo Control Co.**
March 17 (letter of notification) 12,000 shares of common stock (par $1) to be sold to George F. Breen, New York, at $1.50 per share. No underwriter. Proceeds for working capital.

● **Vashon Telephone Corp., Vashon, Wash.**
March 9 (letter of notification) $49,000 first mortgage 5% serial and sinking fund bonds at $1,000 per bond, plus accrued interest from Nov. 1, 1949. **Underwriters**—Wm. P. Harper & Son & Co. **Proceeds**—To be used for telephone equipment and other corporate needs.

Videograph Corp., N. Y. City
Feb. 2 (letter of notification) 300,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—George J. Martin Co., New York. **Proceeds**—For additional working capital. **Business**—Assembles a coin operated combination television and phonograph. **Office** —701—7th Avenue, New York, N. Y.

● **Weisfield's, Inc., Seattle, Wash.**
March 14 (letter of notification) 6,000 shares of capital stock at $47.50 per share. No underwriters. Proceeds to be used in setting up additional branch stores in Washington and Oregon to sell retail jewelry. **Office**—Ranke Building, Seattle, Wash.

● **Wellington Fund, Inc.**
March 21 filed 3,000,000 shares of common stock (par $1). **Underwriter**—W. L. Morgan & Co. **Offering Price**—To be determined on the basis of net asset value at the close of the day.

West Virginia Water Service Co.
March 6 (letter of notification) subscription warrants for 17,647 shares of common stock (no par) and a like number of shares to be issued upon exercise of the warrants at $16.75 per share. Warrants issued to stockholders of record March 13 to expire March 27, to subscribe on a 1-for-14 basis. **Underwriters**—Shea & Co., Inc., Boston, and Blair F. Claybaugh & Co., New York, to head a group of 30 dealers. **Proceeds**—For construction.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None. **Proceeds**—Exploration and development work.

Westinghouse Electric Corp.
March 2 filed 500,000 shares of common stock (par $12.50), to be offered to employees under company's employee stock plan. **Underwriter**—None. **Proceeds**—For general corporate purposes.

● **Wilcox-Gay Corp.**
March 20 filed 300,000 shares of common stock (par $1). **Underwriter**—Gearhart, Kinnard & Otis, Inc. of New York. **Price**—To be filed by amendment. **Proceeds**—For general operating requirements.

● **Wilson Brothers, Chicago, Ill.**
March 17 (letter of notification) 15,000 shares of common stock (par $1) to be sold at the market price ($4.37½ per share) for the account of Sheboygan Chair Co., Inc. No underwriter. **Office**—Merchandise Mart, Chicago, Ill.

Prospective Offerings

American Can Co., New York, N. Y.
March 3 announced company is considering a program of long-term financing for working capital. Probable underwriters: Morgan Stanley & Co.; Clark, Dodge & Co.; F. S. Moseley & Co.

American Gas & Electric Co.
March 3 announced company plans in May to sell $27,000,000 of serial notes (to mature either in 1-to-15 years or 1-to-20 years). Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; First Boston Corp.; Harriman Ripley & Co., Inc. Proceeds would be used to redeem $15,162,300 of 4¾% preferred stock and the balance to retire bank loans.

Arkansas Louisiana Gas Co.
Feb. 6 company reported to be considering offering of $27,500,000 new first mortgage 3% bonds, the proceeds to be used to repay $21,125,000 bank loans and to provide additional working capital. The sale of these bonds is contingent upon approval by SEC and favorable Court action on Arkansas Natural Gas Corp.'s plan to split itself into two new companies. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp.

Arkansas Natural Gas Corp.
Feb. 6 announced unexchanged new 3¾% preferred stock (issuable in exchange for 6% preferred stock, share for share, under proposal to split company into two units) will be sold publicly.

Brooklyn Union Gas Co.
March 8 company announced it plans to issue $8,000,000 of mortgage bonds and sell 186,341 shares of convertible preferred stock which may have a par value of $40 per share. Latter will be offered for subscription to common stockholders on a one-for-four basis and may be underwritten by Blyth & Co., Inc. and F. S. Moseley & Co. Probable bidders for bonds include: Blyth & Co., Inc. and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Harriman, Ripley & Co., Inc. and First Boston Corp. (jointly). **Proceeds**—To retire bank loans of $14,625,000, and to pay part of cost of conversion from manufactured to natural gas.

Carolina, Clinchfield & Ohio RR.
Feb. 4 reported company planning sale of $3,885,000 mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Kidder, Peabody & Co. (jointly); Dick & Merle-Smith; R. W. Pressprich & Co.; Harriman Ripley & Co. and Drexel & Co. (jointly). Proceeds to pay notes due to Louisville & Nashville RR.

Celanese Corp. of America
April 12 stockholders will be asked to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

● **Central Hudson Gas & Electric Co.**
March 15 reported that the company may issue $19,100,000 of new securities to provide funds for its 1950-1952 construction program, estimated to cost approximately $24,100,000. Financing may consist of first mortgage bonds and preferred stock. Probable underwriters for bonds: Kidder, Peabody & Co. and Estabrook & Co.

● **Central Illinois Light Co.**
March 10 Commonwealth & Southern Corp. notified SEC it will sell from time to time, during a three months' period commencing March 20 on or off the New York Stock Exchange, its holdings of 7,314 shares of Central Illinois stock.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

● **Chicago Burlington & Quincy RR. (3/28)**
March 21 company asked ICC authority to issue $25,000,000 first and refunding mortgage bonds due Feb. 1, 1990. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers. **Proceeds**—To retire $12,460,100 first and refunding mortgage 4½% bonds, series B (to be called for redemption Feb. 1, 1952); and the balance to partially finance the laying of new track. **Bids**—To be received up to 11 a.m. (CST) on March 28.

Chicago & Western Indiana RR.
Jan. 31 reported company will probably issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

● **Columbus & Southern Ohio Electric Co.**
March 9 reported planning new equity financing before the end of the year in the form of common stock. Proceeds will finance a portion of the company's construction program.

● **Commercial Credit Co.**
Subject to approval of stockholders on March 30, company plans to sell $25,000,000 of new preferred stock some time next month. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Dallas Power & Light Co.
Dec. 24 company reported planning sale, probably in May, of $8,500,000 bonds, for new money. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Salomon Bros. & Hutzler; First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman, Ripley & Co.

Dayton Power & Light Co.
March 7 said to be planning sale, probably in May or June, of $7,500,000 each of common and preferred stocks. Probable underwriters: Morgan Stanley & Co.; Lehman Brothers; W. E. Hutton & Co.

El Paso Natural Gas Co.
March 2 announced company will issue and sell (in addition to private financing) $6,500,000 convertible second preferred stock, first to stockholders. **Underwriter** — White, Weld & Co. **Proceeds**—For construction purposes. Expected in April.

● **General Public Utilities Corp.**
March 13 corporation has received SEC authorization to solicit stockholder approval of a proposed charter amendment which would permit the public offering of any of its stock for cash without according the then existing stockholders prior subscription rights to such stock. The proposal is to be voted upon at the annual meeting to be held May 1, and must obtain the favorable vote of the holders of two-thirds of the company's outstanding shares entitled to vote.

Georgia Power Co.
Feb. 21 company reported to be planning $6,000,000 additional financing before the end of 1950 (in addition to $15,000,000 of bonds soon expected to be offered); $18,000,000 more in 1951 and $16,000,000 more in 1952.

Green Mountain Power Corp.
March 7 amended plan of reorganization filed with SEC provides for sale of approximately 100,000 shares of new common stock for cash to the public through underwriters, subject to prior subscription rights by present preferred stockholders. Hearing March 28. Exemption from competitive bidding has been requested. **Proceeds**

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—To retire 4¼% notes and for working capital. **Underwriters**—It was stated in the "Chronicle" of March 16 that Harriman Ripley & Co., Incorporated, and Goldman, Sachs & Co. would be the probable underwriters. We have been informed by officials of both banking houses that they have had no dealings whatever or entered into any commitments, written or otherwise, with the utility corporation. The names of these two firms were used without their permission or knowledge.

Idaho Power Co.
Feb. 7 T. E. Roach, President, said company plans to sell additional 4% preferred stock later this year to raise up to $4,000,000 to finance, in part, its 1950 construction program. Traditional underwriters: Blyth & Co., Inc.; Wegener & Daly Corp., Boise, Idaho.

Interstate Power Co.
May 2 stockholders will vote on authorizing an issue of 500,000 shares of preferred stock (par $25). Company also planning to issue in May or June $8,000,000 of bonds. A group headed by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. has been formed to bid on the latter issue. Other probable bidders may include: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.; First Boston Corp.

Investors Telephone Co.
March 31 stockholders will vote on approving long-term borrowing of up to $6,000,000, the proceeds to be used to redeem $2,320,500 first lien collateral 3% bonds due 1961, $359,000 first mortgage 3⅛% bonds of Platte Valley Telephone Corp., a subsidiary, and $150,000 of bank loans, with the remainder added to working capital.

Iowa Electric Co.
March 10 reported that early registration with SEC is expected of an offering of about $18,000,000 preferred and common stocks through a negotiated deal. Probable underwriters: First Boston Corp. and G. H. Walker & Co.

Keyes Fibre Co.
March 14 company reported planning issuance of a new preferred stock and redemption of two present preferred issues.

Knott Corp., New York, N. Y.
March 2 the directors authorized discussion with Hayden, Stone & Co. as principal underwriters of a proposed offering of 100,000 shares of new unissued $5 par common stock, subject to approval by stockholders of proposed plan of recapitalization and change in name to Knott Hotels Corp. Proceeds will be used to reimburse treasury for capital expenditures already made and to increase working capital. Proposals were approved on March 20.

● **Metropolitan Brick, Inc.**
March 8 stockholders approved an increase in authorized common stock (par $4) from 300,000 shares to 400,000 shares to prepare for future financing. It is reported that stockholders may be given rights to subscribe for additional stock, the net proceeds to finance a new plant to be built south of Canton, O. Probable underwriters: Cobbey, Shively & Co. of Canton.

● **Mississippi Power Co.**
March 8 company estimated that about $5,000,000 will be required for construction costs for the years through 1952 which will have to be provided from the sale of additional securities, of which it is presently planned that $2,000,000 will be raised from the sale of common stock and the balance from senior securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler; First Boston Corp.; Otis & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Blair, Rollins & Co., Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers.

Missouri-Kansas-Texas RR.
Feb. 24 reported company plans issuance of $1,680,000 equipment trust certificates some time this month. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Montana Power Co.
Dec. 20 reported the company may issue in a few months approximately $22,000,000 in new securities, which may include bonds and debentures and possibly some additional common stock. Financing of $10,000,000 or more in bonds may be undertaken in May. The proceeds are to be used for expansion and extension of its gas and electric lines. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; First Boston Corp.; Lehman Brothers.

● **National Fireproofing Corp.**
April 6 debenture and common stockholders will vote on a plan to refinance the $2,636,900 5% income debentures due may 1, 1952, together with interest thereon amounting to $635,790, and provide additional working capital, by issuance of evidence of indebtedness not to exceed $3,500,000. Probable underwriters: Kneeland & Co.; Glover & MacGregor.

● **National Malleable & Steel Castings Co.**
March 29 stockholders will vote on increasing the authorized common stock from 600,000 shares to 1,000,000 shares. It is not planned to issue any new shares at present.

New York Central RR.
Feb. 7 reported that offering of $9,000,000 equipment trust certificates is expected early in April. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly). Expected in April.

● **New York State Electric & Gas Corp.**
Stockholders today will vote on a proposal to authorize a two-for-one split-up of the common stock, the sale of an additional 800,000 shares of new common stock and 200,000 shares of new serial preferred stock. Company expects to presently offer 272,380 shares of the increased common stock to present common stockholders in ratio of one new for each seven shares held. Proceeds estimated to be between $6,000,000 and $8,000,000, will be used to finance this year's portion of the construction program, which, it is estimated, will cost over $55,800,000 in the next three years. Traditional underwriter: The First Boston Corp. Other probable bidders for preferred issue: Kuhn, Loeb & Co.; W. C. Langley & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutlzer; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Northern Natural Gas Co., Omaha, Neb.
Jan. 20 announced that the company proposes to issue and sell at competitive bidding $40,000,000 of 2¾% 20-year debentures and to sell 304,500 shares of common stock on the basis of one share for eight shares now outstanding, the latter to supply from $9,060,000 to $10,657,500 of new capital. The net proceeds, together with other funds, will be used to finance the company's construction program. Probable bidders for the debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. Offering of stock expected in May and of bonds in June.

Ohio Edison Co.
Feb. 21 announced company proposes to issue and sell at competitive bidding $52,000,000 of first mortgage bonds due 1980 and to issue additional bonds or borrow $4,200,000 from banks on instalment notes. Probable bidders include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Glore, Forgan & Co. and Union Securities Corp. (jointly); First Boston Corp. Proceeds would be used to redeeming all outstanding first mortgage bonds and serial notes of Ohio Public Service Co.

● **Philip Morris & Co. Ltd., Inc.**
March 20 directors authorized officers to develop plans for public financing of $25,000,000 to $30,000,000, part of which might be in the form of additional common stock.

Public Service Electric & Gas Co. (5/2)
Feb. 7 announced company plans to offer $26,000,000 refunding mortgage 30-year bonds. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.; Union Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To refund 3¼% bonds due 1966. Expected about May 2.

● **Public Service Electric & Gas Co.**
March 20 company reported planning issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Stockholders expected to authorize refunding program in near future.

● **Puerto Rico (Territory of) (3/28)**
Bids will be received at the office of Mitchell and Pershing, 120 Broadway, New York, N. Y., until 11 a.m. (EST), March 28 for the purchase of $18,000,000 of public improvement bonds of The People of Puerto Rico dated Jan. 1, 1950, and to mature serially from 1951 to 1969, inclusive. Probable bidders: The National City Bank; The Chase National Bank of the City of New York.

● **Rochester Gas & Electric Corp.**
March 17 company reported to be planning issuance some time this year of about $7,000,000 new securities (probably bonds and preferred stock). Probable bidders for both issues: First Boston Corp.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Lehman Brothers; Carl M. Loeb, Rhoades & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). Probable bidders also for bonds: Halsey, Stuart & Co. Inc.

San Diego Gas & Electric Co.
March 4 it was reported early registration with the SEC of about 500,000 shares of common stock is expected. It is planned to ask the California State Commission for exemption from competitive bidding. Traditional underwriter: Blyth & Co., Inc.

Schering Corp.
Jan. 26 announced the Alien Property Custodian is preparing to offer at competitive bidding 440,000 shares of common stock (total issue outstanding) late in March or early in April. Registration with the SEC expected shortly. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.

Seaboard Air Line RR.
Feb. 7 directors appointed a committee to proceed with the refunding of the approximately $31,800,000 outstanding first mortgage bonds, provided satisfactory terms could be arranged. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers; First Boston Corp. and Harriman Ripley & Co. (jointly); Union Securities Corp.

Seaboard Air Line RR. (3/23)
Bids will be received at office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad Street, New York, N. Y., by noon (EST) on March 23 for the purchase of $7,065,000 1 to 15-year equip. trust certificates, series G, dated April 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.) and Lee Higginson Corp. (jointly).

● **South Carolina Electric & Gas Co.**
March 13 reported that the company may sell in the Fall $2,000,000 bonds and 30,000 shares of preferred stock (par $100), the proceeds to be used for expansion. Groups to compete for the offerings are being formed.

Southern California Edison Co.
March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

Southern California Gas Co.
Dec. 19 reported company may issue and sell approximately $20,000,000 of bonds, probably in May. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Harris Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; the First Boston Corp.; Shields & Co.; Kidder, Peabody & Co.

Southern Pacific Co.
Feb. 16 directors approved (and on March 16 by ICC) the offer to stockholders of record March 10, 1950, of the privilege to subscribe, at par, on or before March 31, 1950, for $37,727,600 of convertible debentures, due April 1, 1960, convertible into common stock at $55 per share. **Underwriters**—Blyth & Co. Inc. and Salomon Bros. & Hutzler and associates, awarded the issue on March 9, named a 3% coupon and $735,688.20 as underwriting compensation to be paid by company.

Spencer Chemical Co.
March 10 company reported planning issue in April of 200,000 shares of common stock with Glore, Forgan & Co. and Kidder, Peabody & Co. as underwriters.

● **Texas & Pacific Ry.**
March 21 directors approved purchase of 13 additional Diesel-electric locomotives (to cost approximately $3,500,000), to be financed largely by equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc; Lee Higginson Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Harris Hall & Co. (Inc.); Blair & Co., Inc., L. F. Rothschild & Co. and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Bankers Trust Co., New York.

Thompson Products, Inc., Cleveland, Ohio
March 2 announced that stockholders will on March 28 vote on increasing the authorized common stock from 500,000 shares, no par value, to 1,000,000 shares, par $5, in order to provide for a 1.20-to-1 split-up and for future financing, acquisition of property and other purposes. No immediate financing planned. Probable underwriter: Smith, Barney & Co.

● **United States Envelope Co.**
March 10 stockholders (in addition to approving a 2-for-1 split-up of the common and preferred stocks) increased the authorized common stock (par $50) by 80,000 additional shares to be retained in treasury for the present.

Utah Fuel Co. (4/10)
The referee will offer at public auction at 11 a.m. on April 10 all of the 100,000 outstanding shares of stock of this corporation at the Guaranty Trust Co. of New York, 140 Broadway, New York. **Business**—Mining of coal in Utah and Colorado and manufacturing of coke in Utah and sale of said products.

Utah Power & Light Co.
Feb. 17 it was announced that company proposes during 1950 to issue and sell common stock on the minimum basis of one share of new stock for each eight shares of common now outstanding, and to issue and sell $10,000,000 of first mortgage bonds. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers; Carl M. Loeb, Rhoades & Co. **Proceeds**—To be used to repay loans and for construction.

West Coast Transmission Co., Ltd.
Feb. 10 reported that Eastman, Dillon & Co. and the First Boston Corp. were ready to underwrite the financing of the 1,400 mile pipe line proposed by the West Coast Transmission Corp., along with Nesbitt, Thomson & Co., Ltd., of Montreal, Canada, and Wood, Gundy & Co. of Toronto, Canada. The financing would be divided 75% to bonds and the remainder to preferred and common stock. A large amount of the bonds are expected to be taken by life insurance companies. Arrangements will be made to place in Canada part of the securities. It is expected an American corporation will be formed to construct and operate the American end of the line in Washington, Oregon and California. The completed line, it was announced, will cost about $175,000,000.

Wheeling & Lake Erie Ry. (4/6)
March 9 announced company plans to issue and sell $4,000,000 bonds early next month to refund a like amount of bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; Lehman Brothers; Harriman Ripley & Co. Inc. Expected April 6.

White (S. S.) Dental Mfg. Co.
Feb. 2 announced stockholders will vote April 4 on increasing the authorized capital stock (par $20) from 300,000 to 450,000 shares. The company plans a 5% stock dividend, the offering for sale to stockholders of 29,891 shares on a 1-for-10 basis, and an offering of 20,000 shares for subscription by employees.

Interstate Securities Opens NYC Branch

Interstate Securities Corp. of Charlotte, N. C., announces the opening of a New York office at 49 Wall Street, under the management of Hale L. Montgomery. J. Francis Eckstein will be in charge of the trading department of the new office. Telephone number is Hanover 2-8446; Teletype, NY 1-3544.

H. L. Montgomery

Mr. Montgomery, who has been in Wall Street for over 20 years, was formerly a Vice-President of Montgomery, Stone & Peyser, and prior thereto for many years was with Adams & Peck. Mr. Eckstein was with Joseph Janareli & Co. and was Secretary and Treasurer of Montgomery, Stone & Peyser.

Jonathan G. Gullick, President of Interstate Securities, said that the new office represents an expansion of a business established in 1928, complementing the home office facilities of the company and enabling it to offer enlarged service to institutional customers and dealers in the East and Midwest. The firm, which has a capitalization now ranking among the major investment banking houses of the Southeast, is a member of the Investment Bankers Association of America, the National Association of Securities Dealers, Inc., and the Midwest Stock Exchange. It conducts a general investment business as underwriter, dealer, distributor and broker and has been very active in the underwriting of Southern municipal bonds specializing particularly in North Carolina and South Carolina issues.

$75,000,000 Nor. Carolina Road Bonds Offered

Public offering is being made today (March 23) of a new issue of $75,000,000 principal amount of State of North Carolina secondary road 4%, 1¼% and 1½% bonds by a group of 100 underwriters headed by The Chase National Bank.

The issue, due Jan. 1, 1953-70, inclusive, is priced to yield from 0.75 to 1.70%, according to maturity, with exception of the 1959 maturity which is offered at a dollar price of 100.

The bonds are interest-exempt from present Federal income taxes and tax-exempt in the State of North Carolina. They represent legal investment for savings banks and trust funds in New York and certain other states and for savings banks in Connecticut and Massachusetts.

Among others participating in the offering are: Chemical Bank & Trust Co.; Blyth & Co., Inc.; Harris Trust & Savings Bank; C. J. Devine & Co.; The Philadelphia National Bank; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Wachovia Bank and Trust Co., Winston-Salem, N. C.; Hemphill, Noyes, Graham, Parsons & Co.; A. C. Allyn and Co., Inc.; Harris, Hall & Co. (Inc.); Lee Higginson Corp.; The Marine Trust Co. of Buffalo; Paine, Webber, Jackson & Curtis; Trust Company of Georgia; Ira Haupt & Co.; Aubrey G. Lanston & Co. Inc.; Carl M. Loeb, Rhoades & Co.; Otis & Co. (Inc.); The Robinson-Humphrey Co.; Stranahan, Harris & Co., Inc.; City National Bank & Trust Co., Kansas City; Courts & Co.; F. W. Craigie & Co.; Fahey, Clark & Co.; Hirsch & Co.; Laurence M. Marks & Co.; W. H. Morton & Co., Inc.; National State Bank, Newark; F. S. Smithers & Co.; Stifel, Nicolaus & Co., Inc.; G. H. Walker & Co.; William Blair & Co.; H. M. Byllesby and Co. (Inc.), and Commerce Trust Co., Kansas City.

DIVIDEND NOTICES

LEHIGH VALLEY COAL CORPORATION

March 16, 1950.

The Board of Directors of this Corporation has today declared a dividend of approximately 81.9 cents per share on its $3. Non-Cumulative First Preferred Stock, payable April 10, 1950, to stockholders of record of such stock at the close of business on March 27, 1950.

H. L. FOUNTAIN, Secretary & Treasurer.

National Shares Corporation

14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable April 15, 1950 to stockholders of record at the close of business March 31, 1950.

JOSEPH S. STOUT, *Secretary.*

March 16, 1950.

NATIONAL SHIRT SHOPS OF DELAWARE, INC.

DIVIDEND NO. 34

The Board of Directors has declared a regular quarterly dividend of 20 cents a share on the common stock, payable April 1, 1950 to stockholders of record March 24, 1950. Transfer books will not be closed.

SYLVAN COLE, Chairman of the Board.

UNITED STATES SMELTING REFINING AND MINING COMPANY

The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock payable on April 15, 1950 to stockholders of record at the close of business March 27, 1950. No dividend was declared on the Common Stock.

March 15, 1950

FRANCIS FISKE, *Treasurer.*

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DIVIDEND NOTICES

THE GARLOCK PACKING COMPANY

March 15, 1950

COMMON DIVIDEND No. 295

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable March 31, 1950, to stockholders of record at the close of business March 22, 1950.

H. B. PIERCE, *Secretary*

DIVIDEND NOTICES

INVESTORS MUTUAL

Dividend Notice No. 38

The Board of Directors of Investors Mutual has declared a quarterly dividend of fourteen cents per share payable on April 21, 1950 to shareholders on record as of March 31, 1950.

H. K. Bradford, *President*

Principal Underwriter and Investment Manager

INVESTORS DIVERSIFIED SERVICES

Established 1894 as Investors Syndicate, Minneapolis, Minnesota

The Weatherhead Company

At a meeting of the Board of Directors of the Weatherhead Company, held March 15, 1950, a Dividend of $1.25 per share was declared upon the $5.00 Cumulative Preferred Stock of the Company, payable April 14, 1950, to the holders of such stock at the close of business on April 3, 1950.

MORRIS H. WRIGHT, *Vice President & Treasurer*

March 15, 1950

Cleveland, Ohio

NOTICE OF REDEMPTION

THE DETROIT EDISON CO.

General and Refunding Mortgage Bonds, Series G, 3½%, due September 1, 1966

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Mortgage and Deed of Trust of The Detroit Edison Company, dated as of October 1, 1924, and of the Indenture dated as of September 1, 1936, supplemental thereto, to Bankers Trust Company, as Trustee, The Detroit Edison Company has elected to redeem and pay, and will redeem and pay in lawful money of the United States of America, on May 15, 1950, all of its General and Refunding Mortgage Bonds, Series G, issued and outstanding thereunder.

Accordingly, on May 15, 1950, there will become and be due and payable upon each bond of such Series G, upon presentation with all coupons maturing subsequent to March 1, 1950, at the principal office of the Trustee, Bankers Trust Company, Corporate Trust Department, 16 Wall Street, New York 15, N. Y., the principal amount thereof, together with accrued interest to May 15, 1950, and a premium of 4½% of the principal amount of each such bond. From and after May 15, 1950, interest on such bonds will cease to accrue, the coupons for interest maturing subsequent to that date will be void and such bonds and coupons will cease to be entitled to the benefit of the lien of said Mortgage and Deed of Trust.

Bonds presented for redemption should have attached all coupons maturing after March 1, 1950. The March 1, 1950 coupons appertaining to such bonds should be detached and presented for collection in the usual manner.

In case registered bonds are presented and payment to other than the registered holder is desired the transfer tax due must be paid and the bonds must be assigned in blank or accompanied by properly executed instruments of assignment in blank.

THE DETROIT EDISON CO.

By Arthur S. Albright, *Treasurer.*

Dated, March 15, 1950

NOTICE OF PRIOR PAYMENT

The Detroit Edison Company has instructed Bankers Trust Company to pay on and after March 15, 1950 the principal of and premium and accrued interest to May 15, 1950 on any of said bonds which are presented at the Corporate Trust Department of Bankers Trust Company, 16 Wall Street, New York 15, N. Y. All coupons maturing after March 1, 1950 should be attached to the bonds.

As a convenience to the bondholders, arrangements have been made by Bankers Trust Company so that if said bonds and coupons are presented at the Principal Office of National Bank of Detroit, 660 Woodward Avenue, Detroit 26, Michigan, or at the Principal Office of The Manufacturers National Bank of Detroit, 151 West Fort Street, Detroit 31, Michigan, the holder thereof will receive payment in Detroit upon the terms above stated.

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 13

THE BOARD OF DIRECTORS has this day declared a regular semi-annual cash dividend of One Dollar ($1.00) per share on the capital stock of the Company, payable on May 15, 1950, to stockholders of record at the close of business April 17, 1950.

E. E. DUVALL, *Secretary*

March 22, 1950

FOREMOST DAIRIES, Inc.
Jacksonville, Florida

The Directors of Foremost Dairies, Inc., Jacksonville, Fla., have declared the following quarterly dividends:

6% PREFERRED STOCK
75c Per Share

4% CONVERTIBLE PREFERRED STOCK
50c Per Share

COMMON STOCK
20c Per Share

Each Dividend is payable April 1, 1950, to Stockholders of record at the close of business, March 10, 1950.

LOUIS KURZ, Secretary

New York, N. Y.
March 20, 1950

Philip Morris & Co. Ltd., Inc.

The regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, has been declared payable May 1, 1950 to holders of record at the close of business on April 17, 1950.

There has also been declared a regular quarterly dividend of 75¢ per share and an extra dividend of 75¢ per share on the Common Stock ($5 Par), payable April 15, 1950 to holders of Common Stock of record at the close of business on April 3, 1950.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are, therefore, urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

Edison

41st *year of consecutive dividend payments*

SOUTHERN CALIFORNIA EDISON COMPANY

COMMON DIVIDEND NO. 161

PREFERENCE STOCK
4.48% CONVERTIBLE SERIES
DIVIDEND NO. 12

PREFERENCE STOCK
4.56% CONVERTIBLE SERIES
DIVIDEND NO. 8

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

All three dividends are payable April 30, 1950, to stockholders of record April 5, 1950.

T. J. GAMBLE, Secretary

March 17, 1950

WORLD-WIDE BANKING

Chase

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

DIVIDEND NOTICE

The Chase National Bank of the City of New York has declared a dividend of 40c per share on the 7,400,000 shares of the capital stock of the Bank, payable May 1, 1950 to holders of record at the close of business April 3, 1950.

The transfer books will not be closed in connection with the payment of this dividend.

A. J. EGGER
Vice President and Cashier

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Now that Mr. Truman has tried out the fancy stunt of using the Reorganization Act to attempt to reorganize out of existence the independent counsel of the National Labor Relations Board, some of the Big Union boys are beginning to mutter that while the trick certainly was quick, it may not prove to be so slick.

By way of background, the President submitted as a proposed Reorganization Plan, the abolition of the independent office of Robert N. Denham as General Counsel of NLRB. If by 60 days neither the House or Senate by a "constitutional majority" passes a resolution stating that it disapproves of this plan, it goes into effect. Then the independent counsel goes out of existence.

Mr. Denham is not directed by NLRB. He is as free to prosecute a labor union for disobeying the law as any prosecuting attorney is free to initiate an action without asking a court may it please do so. The NLRB is pretty well stacked for Labor. Most governmental quasi-judicial outfits like NLRB, incidentally, are judge, jury and crown prosecutor all rolled in one.

Under such a set-up, if the Commission or Board decides, figuratively speaking, to hang somebody, it directs its counsel to open proceedings which are tried before the same Board or Commission, which then decides whether the victim is guilty as the Board or Commission thought it must be in the first place or it would not have instituted the proceeding. The Board could direct its counsel by whatever name he may be called, to go sic 'em.

Conversely, anybody's violation of any law may go unprosecuted unless the governmental commission decides to track him down.

When the Taft-Hartley Act was legislated, the 80th Congress had the elementary sense, in for the first time making some rules for union conduct, to make their enforcement somewhat possible. If it had been left to NLRB to make the union heel to the law, the causes instituted would have been few indeed. So the independent office of General Counsel of NLRB was created in the statute.

The present occupant of that office, Robert N. Denham, a Presidential appointee, has insisted in so far as he could, that unions fulfill their legal responsibilities. This has been a great irritation to the unions. They look upon Mr. Denham as being nothing but a doggoned employer representative within the NLRB which, after all, is owned by the unions through the holding company device of dominant influence over the White House.

Finally, in this background, the abolition of Mr. Denham is probably the most important objective involved in repealing Taft-Hartley. The unions definitely would like to have all that Act repealed, but might settle on an interim basis for switching off the beat the cop who tries to enforce the law, and his replacement by a cop who in reality is one of the mob. This was the thinking until the unions began to appraise the reality of losing Denham.

Superficially, the President's proposal to reorganize Mr. Denham out of his job looked like good, routine, smart politics. Since the Congress has refused to repeal Taft-Hartley, it was safe to assume that the Congress, at least one House or the other, would "veto" the plan to kill off Mr. Denham's job.

What is beginning to make some of the organized labor crowd wonder how smart this strategy is, is that it appears to be some possibility that Congress might not after all veto the proposed reorganization. While both House and Senate expenditures committees are or will hear resolutions of disapproval of this move to kill off Denham's job, there is always the possibility that these proposals might fail.

In these times of primary fights with many of the Senators at home campaigning from time to time, it will be rather difficult to get 49 Senators to be on hand to vote to save Mr. Denham's independent status. There is said to be, at this distance, a dangerous possibility that Mr. Denham's job will be reorganized out of existence.

This would be something of a political calamity for the Truman Administration. If Denham's job were wiped out, over half the argument against Taft-Hartley—the argument as it appeals to the unions—would vanish. Truman would go into the campaign with a very weak labor issue.

It would also be a reversal for the union strategists as well. While they sell the dues-paying members against Denham, privately, they want him around, as it were, to cuss him. In fact, some contend that Truman could fire Denham any time he wanted to, since Denham's job is not in the semi-protected status of that of a member of a quasi-judicial board or commission. Denham's job, they say, could be terminated, if Truman really wanted to take him out of the union's hair, simply by firing him.

If Congress by default let Denham go, then the Labor Political Action groups would find it even tougher with their campaign to replace with union stooges, those Congressmen who have stood up to Big Labor.

It will be most embarrassing, if the Senate Expenditures Commitee reports out the resolution of disapproval. Senator Scott Lucas, as Majority Leader, will be right in the middle. It will be up to him to schedule action within the 60-day period. If he doesn't, if he tries to stall, the Republicans will crucify him. If he does schedule it, then Labor gets mad. Lucas is up for election this year.

* * *

By and large, the House Appropriations Committee turned out a job about as scheduled. It proposed reductions in the regular agency and departmental bills, in the neighborhood of $1.3 billion, to which it is tentatively expected, there will be a cut of an additional $500 million in ECA, adds up to a total of just under $2 billion, the maximum effort which could have been expected from the Appropriations Committee.

It is too early to be sanguine as to the hopes that the House or the Senate will make a more severe cut. There is a lot of talking along this line for the record, particularly among Republicans. It remains to be seen whether the economy move is strong enough to pare down payrolls, subsidies, and benefits, although this possibility is not ruled out. As a normal procedure, however, the House and the Senate amend appropriat ons as they come from Committee, to increase them.

* * *

Samuel B. Stewart, Jr., attorney for Transamerica, turned in one of the most craftsmenlike performances yet seen in this Capital City on how to handle a Committee which is all set to string you up, is convinced of your "guilt," and wants to hear just as little of what you have to say as it can get away with.

The Senate Banking Committee has been having hearings on the Federal Reserve Board bill to put bank holding companies into a regulatory strait-jacket. The members of the Senate Banking Committee up until recently had heard almost nothing of opposition to the Reserve Board bill, but for years had received the benefits of missionary work by the Board as to the terrible evils which might some day come from bank holding companies. Thus, two years ago a similar holding company regulation bill was reported out of committee unanimously.

For some strange reason there had been noised around the Committee the erroneous notion that Transamerica might be afraid to appear. Senator Harry Cain of Washington, who is sometimes "liberal" and sometimes conservative, but who always makes himself heard, reported openly at a private luncheon in which Transamerica officials told the Senator what they felt about the bill. Then he proposed to the Committee that, by gosh, Transamerica had better appear and be subpoenaed if they didn't.

It was different when Transamerica did appear, and with no timidity, but armed with the most painstaking details about its business, a most complete willingness to tell in chapter and verse what was wrong with the bill.

Senator A. Willis Robertson of Virginia began to feel differently. He intimated Transamerica shouldn't take much time. He even suggested he might limit Mr. Stewart to 10 minutes under the rules.

After Mr. Stewart got going, Mr. Robertson began to feel a little differently. He even began to have some doubts about the bill. He let Mr. Stewart, as it were, have his head. It is now almost a certainty that the Reserve Board bill will be amended in several important respects before it gets out of committee.

In the process, Mr. Stewart showed some rules, by his action, on how to get along before a Committee which can put one out of business, almost seems disposed to do so, from which there is little or no appeal, and which can shut one off from stating his case whenever the Committee wants to.

The first rule is that, no matter how close the members of the Committee come to insulting you as a witness, don't let it fluster you. Neither reply belligerently, nor, on the contrary, get obsequious.

Come with all the facts, including the most irrelevant facts even if they are probably none of the business of the Congress.

Don't try to pull any half-truth or other patent deceptions. Even though the members of the Committee may not catch them, the bright boys of the agencies who are out to crucify you will slip the answers to the staff of the Committee who will slip them to a Senator.

Select as your witness to testify against prospective punitive legislation a man who has full power to make statements on the spot about policy and reveal all factual information. Do not tie down your witness with a set, pat statement before hand, or the Committee will catch you up on something you didn't think about when you prepared your "brief."

If you are willing to stand on your two feet and fight it out, don't lose your temper or your nerve, you will get somewhere. The members of the Senate Banking Committee, when they for the first time got the other side, disclosed a reasonableness to do some second-thinking, that they never indicated when they opened the hearings.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I know you're a new doctor here, Bentley, but you DON'T get patients by dropping a banana peel in front of your door!"